

In The Matter Of:

R.J. REYNOLDS TOBACCO COMPANY

MATTER NO. D09285

GEORGE C. PENNELL

Vol. 1, June 9, 1998

For The Record, Inc.

Court Reporting and Litigation Support

603 Post Office Road

Suite 309

Waldorf, MD USA 20602

(301) 870-8025 FAX: (301) 870-8333

*Original File 80609pen.asc, 246 Pages
Min-U-Script® File ID: 2128972554*

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(1) FEDERAL TRADE COMMISSION
(2)
(3) In the Matter of:)
(4) R. J. Reynolds Tobacco Co.,)
(5) a corporation.) Matter No. D09285
(6)
(7) Tuesday, June 9, 1998
(8)
(9) Womble Carlyle Sandridge & Rice
(10) 200 West Second Street
(11) Winston-Salem, NC 27102
(12)
(13) The above-entitled matter came on for
(14) administrative deposition, pursuant to notice, at
(15) 10:04 a.m.
(16)
(17) APPEARANCES:
(18)
(19) ON BEHALF OF THE FEDERAL TRADE COMMISSION:
(20) DAVID P. FRANKEL, Attorney
(21) JILL E. SAMUELS, Attorney
(22) Federal Trade Commission
(23) 6th Street and Pennsylvania Avenue, N.W.
(24) Washington, D.C. 20580-0000
(25) (202) 325-2812

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(1) ON BEHALF OF R. J. REYNOLDS:
(2) JOHN B. WILLIAMS, Attorney
(3) Collier, Shannon, Rill & Scott, PLLC
(4) 3050 K Street, N.W., Suite 400
(5) Washington, D.C. 20007
(6) (202) 342-8400

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(1) and you need to speak clearly so that the court
(2) reporter can properly record your responses. The
(3) court reporter cannot record a nod or a shake of
(4) your head. Do you understand that?

(5) A: I do.

(6) Q: You're under oath, and you're required to
(7) provide truthful answers or to assert a valid
(8) privilege. Do you understand that?

(9) A: Yes, I do.

(10) Q: Do you also understand that your deposition
(11) testimony may be used in this administrative
(12) proceeding and perhaps elsewhere as well?

(13) A: Yes, I do.

(14) Q: Your attorney may object to some of my
(15) questions; however, you still have to answer my
(16) questions unless your attorney instructs you not to
(17) respond. Do you understand that?

(18) A: Yes, I do.

(19) Q: If I'm unclear at any time or you don't
(20) understand what I mean, please tell me, and I will
(21) try to clarify my question. Otherwise, I will
(22) assume that you understand. Do you understand that?

(23) A: Yes, sir.

(24) Q: Also, if you do not know or you do not
(25) remember the information necessary to answer a

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PROCEEDINGS

Whereupon

GEORGE CLIFTON PENNELL,

(5) having been first duly sworn, was examined and did
(6) testify as follows:

EXAMINATION

BY MR. FRANKEL:

(9) Good morning, Mr. Pennell.

(10) A: Morning.

(11) Q: My name is David Frankel, and with me today
(12) is Jill Samuels. We're both attorneys with the
(13) Federal Trade Commission. And we're here to conduct
(14) your deposition in connection with an administrative
(15) complaint issued by the Federal Trade Commission in
(16) the matter of R.J. Reynolds Tobacco Company, Docket
(17) Number 9285.

(18) This morning and this afternoon and
(19) tomorrow and however long it takes to complete the
(20) deposition - hopefully by the end of tomorrow -
(21) I'm going to ask you some questions. And the court
(22) reporter, sitting to your left, will be recording
(23) what I say, what you say, what your attorney says,
(24) and what my co-counsel might say.
(25) You need to respond orally to my questions,

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(1) question, please tell me that. Do you understand?

(2) A: Yes.

(3) Q: And let me know whenever you need a break,
(4) and we'll find a convenient time to take. Okay?

(5) A: Fair enough.

(6) Q: We'll also have a lunch break today.

(7) Do you understand all the instructions I've
(8) just given to you?

(9) A: Yes, I do.

(10) Q: How are you feeling today, sir?

(11) A: I feel fine.

(12) Q: Any illnesses?

(13) A: No.

(14) Q: Are you taking any medications or is there
(15) anything you can think of that might effect your
(16) ability to understand and answer my questions today?

(17) A: No, sir.

(18) Q: Is there any reason you can think of why you
(19) will not be able to answer my questions fully and
(20) truthfully?

(21) A: No.

(22) Q: Please state and spell your full name.

(23) A: George Clifton Pennell, P-E-N-N-E-L-L.

(24) Q: And, Mr. Pennell, how many times have you
(25) been deposed prior to today's deposition?

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(1) A: Three, I believe.
(2) Q: One of those depositions was in the Mangini
(3) case?
(4) A: That's correct.
(5) Q: And one was in the Arch case?
(6) A: That's correct.
(7) Q: And what was the other one?
(8) A: The other one was a suit brought by the
(9) company against an employee with one of our
(10) advertising agencies several years ago.
(11) Q: What was the nature of that third lawsuit?
(12) A: High-level employee with an advertising
(13) agency had gone to work for a competitive tobacco
(14) company.
(15) Q: And what was that competitive tobacco
(16) company?
(17) A: Liggett Myers.
(18) Q: And the name of the employee?
(19) A: The name of the employee for the advertising
(20) agency was Bob Robinson. I believe it was Robinson.
(21) Q: And that was the employee who went to work
(22) for the competitive tobacco company?
(23) A: He worked for an agency who was on our
(24) business - an advertising agency was on our
(25) business, and he left there and went to work for a

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(1) competitive tobacco company.
(2) Q: When was that deposition in the - should I
(3) call it the Robinson case?
(4) A: That would be fine.
(5) Q: Okay. When was that?
(6) A: I'm going to say the early '90s.
(7) Q: And where did it take place?
(8) A: Here in Winston-Salem.
(9) Q: Do you know if there was a trial in that
(10) case?
(11) A: There was no trial that I'm aware of.
(12) Q: Have you ever testified in a trial?
(13) A: No, I have not.
(14) Q: Are you represented here today by
(15) Mr. Williams?
(16) A: Yes, I am.
(17) Q: And is he representing you personally -
(18) MR. WILLIAMS: I'm representing the
(19) corporation.
(20) BY MR. FRANKEL:
(21) Q: So are you also represented personally at
(22) this deposition?
(23) A: No.
(24) MR. WILLIAMS: I represent - I'm
(25) representing the corporation. And I'm the only

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(1) other lawyer in the room that doesn't work for the
(2) FTC.
(3) BY MR. FRANKEL:
(4) Q: When did you first become aware that your
(5) deposition would be taken in this case?
(6) A: Several months ago, I guess, was informed
(7) that my name was on the list to be deposed.
(8) Q: And who informed you of that?
(9) A: I believe it would have been Guy Blynn, our
(10) internal counsel.
(11) Q: Did you do anything to prepare for today's
(12) deposition?
(13) A: Met a couple of weeks ago with Mr. Williams
(14) and Mr. Blynn for a couple of hours and talked
(15) briefly with Mr. Williams yesterday and read a copy
(16) of the complaint.
(17) Q: Is that all you did to prepare for the
(18) deposition?
(19) A: Correct.
(20) Q: Did you meet with Mr. Villafranco?
(21) MR. WILLIAMS: He was at the meeting.
(22) THE WITNESS: Was he at the first meeting,
(23) the meeting two weeks ago?
(24) MR. WILLIAMS: I'm drawing a blank. I think
(25) the answer is yes.

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(1) THE WITNESS: I think there may have been
(2) some -
(3) MR. WILLIAMS: Is it important? If it's
(4) important, we can ask Villafranco.
(5) BY MR. FRANKEL:
(6) Q: Other than - well, was Mr. Blynn at the
(7) meeting?
(8) A: Yes.
(9) Q: So other than Mr. Blynn, Mr. Williams, and
(10) the possibility of Mr. Villafranco, was anyone else
(11) there?
(12) A: Not that I recall.
(13) Q: Have you met with any other RJR employees
(14) with respect to this deposition?
(15) A: To discuss this deposition?
(16) Q: Yes.
(17) A: No, sir.
(18) Q: And I just used the phrase "RJR." But,
(19) actually, I'd like to try and use the phrase
(20) "Reynolds" throughout the deposition. Do you
(21) understand when I use the word "Reynolds" I mean the
(22) R.J. Reynolds Tobacco Company?
(23) A: Fine.
(24) Q: We'll agree that that's the meaning. If
(25) there's a question that arises, if you think it

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[1] might mean something different for the purposes of
[2] my question, please let me know, and we can clarify.
[3] A: Okay.
[4] Q: The - other than the complaint, did you
[5] review any documents for preparation for this
[6] deposition?
[7] A: Not for preparation for this deposition.
[8] Q: Have you prepared any documents as
[9] preparation for this deposition?
[10] A: No. I brought one internal resume listing
[11] should it be needed for this but have not
[12] prepared - that wasn't prepared specific for this
[13] deposition.
[14] Q: Okay. And I think it would be helpful if we
[15] could have that internal resume.
[16] MR. WILLIAMS: Will it cut down the time on
[17] the deposition?
[18] MR. FRANKEL: I can't tell you one way or
[19] the other.
[20] MR. WILLIAMS: Because last time we brought
[21] one, and it added to the time on the deposition. So
[22] why don't you just go through your outline.
[23] MR. FRANKEL: Well, for what it's worth, no,
[24] it's not - we don't have to worry about why that
[25] happened, but there was some discrepancies between

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[1] the deposition we were provided before the
[2] deposition and what the -
[3] MR. WILLIAMS: I mean, it's going to happen.
[4] People recall their responsibilities differently,
[5] their titles change -
[6] MR. FRANKEL: Understood.
[7] BY MR. FRANKEL:
[8] Q: Have you ever entered into any type of
[9] agreement with Reynolds regarding the
[10] confidentiality of information or material you
[11] obtain or see in connection with your job?
[12] A: Repeat that question.
[13] Q: Sure. Have you ever entered into any type
[14] of agreement with Reynolds regarding the
[15] confidentiality of information or material you
[16] obtain or see in connection with your job?
[17] MR. WILLIAMS: Did you enter into a
[18] confidentiality agreement when you joined the
[19] company?
[20] THE WITNESS: Right. I mean, if I
[21] understood the question, in terms of did I sign a
[22] confidentiality agreement as an employee of this
[23] company, the answer is, I believe, yes, I have.
[24] BY MR. FRANKEL:
[25] Q: And is that an agreement in effect today?

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[1] A: I assume it is, yes.
[2] Q: Is there any reason why that agreement might
[3] affect your testimony today one way or the other?
[4] A: No, sir. Unless it's relative to issues
[5] like trade secrets or what have you.
[6] Q: Well, that's good that we - that we bring
[7] that up, because your counsel can inform you during
[8] a break or now, whatever, that there is a protective
[9] order in place in this litigation which limits the
[10] use of confidential information, internal
[11] information, for Reynolds. And it's an agreement
[12] that I believe was acceptable to your attorneys.
[13] And I assume your attorneys were in consultation
[14] with your company.
[15] Do you understand that?
[16] A: Yes.
[17] Q: Okay. And as I said, you can confer with
[18] your counsel about that at any time.
[19] Does any part of your compensation from
[20] Reynolds concern - involve the provision of stock
[21] of the company, company stock?
[22] MR. WILLIAMS: Do you have stock options?
[23] THE WITNESS: I mean, if the question is do
[24] I have stock options, programs, long-term incentive
[25] programs, et cetera, like that, that I participate

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[1] in, the answer to this is yes.
[2] BY MR. FRANKEL:
[3] Q: And how do those programs work? Just
[4] generally speaking, how is it determined - how many
[5] stock options - how much stock you have an option
[6] to acquire and at what price? How is that
[7] determined?
[8] A: It would vary by the program. I cannot
[9] answer for you how it's determined, how many options
[10] or shares that I might get. That's determined by
[11] somebody other than me.
[12] But as a general rule, the programs vary,
[13] but you're assigned X number of stock. It is vested
[14] over a period of time. And issue price, I think,
[15] varies based on when it was issued and what the
[16] stock price was at the time of its issue.
[17] Q: And you said that's determined by someone
[18] other than yourself. Who makes the determination as
[19] to how many stock options you are allotted?
[20] A: I don't know who makes that determination.
[21] I am generally informed of that by either the head
[22] of human resources or whoever I reported to at the
[23] given time. But I don't know the criteria in which
[24] they determine how many options, as an example, that
[25] I got at any point in time in the program.

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Q: Are the options that you acquire exercisable at a price level that is lower than the fair market value of the stock?

MR. WILLIAMS: Today?

MR. FRANKEL: Today.

THE WITNESS: If I understand your question relative to when it was issued, I think they attempt to issue it at what is deemed to be the fair market value of that stock at that given point in time.

BY MR. FRANKEL:

Q: At present, how much stock do you have an option to acquire?

MR. WILLIAMS: Don't answer that.

Move on.

Instruct not to answer. I'll let you go

with this thing - I've already told Mr. Shonk, we will agree that these people have an interest in seeing that Reynolds prevails in this litigation.

That seemed to be acceptable with him. I don't think you need to go any further.

MR. FRANKEL: No, that's - and is that statement correct for all the current employees?

MR. WILLIAMS: For current employees, yes.

They have an interest in seeing that Reynolds - they work for the company and as company employees

(1) within my territory.

(2) Q: And when you say "Reynolds products," does (3) that encompass more than cigarettes?

(4) A: At that time, it would have been some of the (5) smoking - not only smoking but also some of the (6) chewing tobaccos, products that we had at that time.

(7) Q: Were there also pipe tobaccos at that time?

(8) A: Yes, there were.

(9) Q: And did your job include that?

(10) A: Yes. All smoking and tobacco - smoking and (11) chewing tobacco products.

(12) Q: Can you think of any other products that (13) were encompassed by your job at that time?

(14) A: I think that covers it, yes.

(15) Q: During that period, do you know what Camel's (16) target was, what Camel's target market was?

(17) A: Can you define what you mean by "target (18) market"?

(19) Q: Well, that's actually a phrase that I (20) believe Reynolds uses quite often in its documents.

(21) MR. WILLIAMS: Well, he's asked you for a (22) definition.

(23) BY MR. FRANKEL:

(24) Q: What is your understanding of the phrase (25) "target market"?

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1 would like to see Reynolds prevail. And I'll work
2 out any stipulation you want on that.

3 BY MR. FRANKEL:

4 Q: You began working for Reynolds in June 1979;
5 is that correct?

6 A: That's correct.

7 Q: And your position at that time was sales rep
8 Group 1; is that correct?

9 A: I don't know what the Group 1 is. I was a
10 sales representative in field sales.

11 Q: And was that in Florence, South Carolina?

12 A: I was located - based in Florence,
13 South Carolina, that's correct.

14 Q: You held that position until June 1980; is
15 that correct?

16 A: That sounds about right, yes.

17 Q: Describe your responsibilities at that time.

18 A: As a sales representative?

19 Q: Yes.

20 A: I had a defined geographical territory. And
21 within that assigned territory, I was responsible
22 for product distribution, availability of
23 R.J. Reynolds products in that - that were made and
24 distributed during that time period. I called on
25 retailers, wholesalers, vendors that were located

(1) A: Well, it - that could either be a
(2) demographic target, that could be a psychographic
(3) target, it could be a geographic, in my mind, when
(4) that term is used that broadly and undefined.

(5) Q: So we have demographic, psychographic, and
(6) geographic. Can you think of any other aspects of a
(7) target market?

(8) A: Those would be the ones that initially come
(9) to my mind.

(10) Q: What was Camel's demographic target during
(11) the period of your first sales job with Reynolds
(12) from June 1979 to June 1980?

(13) MR. WILLIAMS: If you know.

(14) THE WITNESS: I don't know the answer to
(15) that. What I can tell you is - is that, you know,
(16) as a sales rep in field sales in 1979 through the
(17) period that I was in that position, you know, we did
(18) not implement our programs or activities within our
(19) assignments based on demographic or psychographic
(20) opportunities.

(21) We were given programs to implement. We
(22) implemented them in the classes of trade that they
(23) were designed for and we were told. But we did that
(24) in regards to adult smokers only, because that was
(25) clearly understood when I came to work for this

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(1) company, that we marketed our products to adult
(2) smokers and adult smokers only.

(3) BY MR. FRANKEL:

(4) Q: So as a sales rep. you did not know what the
(5) demographic target was for Camel cigarettes?

(6) A: As a sales rep, what - the way I understood
(7) it was that our products were available to adult
(8) smokers. And that's who we market our products to
(9) and only to that group. And it was not further
(10) specified than that.

(11) Q: So it could have been an adult meaning, of
(12) course, anyone 18 and older; is that correct?

(13) A: At that time, that was correct.

(14) Q: So there was no specification between, say,
(15) 18 to 24 versus any other age group, from your
(16) perspective, in your job at that time?

(17) A: That's correct.

(18) Q: And the phrase "Group 1" as part of your job
(19) title, that's not something that rings a bell to you
(20) here today -

(21) A: No, it doesn't.

(22) Q: - sales representative Group 1?

(23) A: It doesn't.

(24) Q: To whom did you report in that position?

(25) A: I reported to the division sales manager for

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(1) the Columbia, South Carolina division.

(2) Q: Would you describe the sales representative
(3) position as a typical entry-level position at
(4) Reynolds back then for someone who had just
(5) completed their formal education?

(6) A: Ask that again.

(7) Q: Sure.

(8) MR. WILLIAMS: Was this an entry-level
(9) position?

(10) BY MR. FRANKEL:

(11) Q: Would you describe that sales representative
(12) position as a typical entry-level position at
(13) Reynolds back then for someone who had just
(14) completed their formal education?

(15) A: I don't know how to answer that. I had
(16) nothing to compare it to. Straight out of school,
(17) it - you know, it seemed to be a structured
(18) entry-level position into the field sales
(19) department, anyway.

(20) Q: Did you have an interest coming out of
(21) school of going into sales?

(22) A: I had an interest coming out of school of
(23) getting a job and going to work, and this was the
(24) one that was afforded to me and I excitedly took.

(25) Q: Approximately how many people worked for

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(1) Reynolds when you began with the company?

(2) A: The entire company?

(3) Q: That's correct.

(4) A: I have no idea.

(5) Q: Was it more than five thousand people?

(6) A: I don't know the answer to that, but I would
(7) assume that - yes, it was. It was more than it is
(8) today.

(9) Q: And what is it today?

(10) A: Today, I think it's just over seven - over
(11) seven thousand so - I don't know that exact number.

(12) MR. WILLIAMS: Let's not guess.

(13) BY MR. FRANKEL:

(14) Q: But it's over seven thousand today?

(15) A: I believe so but don't know for sure.

(16) Q: Beginning June 1980 and ending May 1981, you
(17) were area sales rep Group 1; is that right?

(18) A: Area sales representative for the Columbia
(19) division, sales division, yes.

(20) Q: So with the same caveat as to the meaning of
(21) Group 1?

(22) A: I don't know what the Group 1 - that's not
(23) something I'm familiar with.

(24) Q: Was that a promotion?

(25) A: Yes, it was.

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(1) Q: And describe your responsibilities in that
(2) position.

(3) A: The responsibilities were essentially the
(4) same that they were as - in - as a sales
(5) representative. This was an acknowledgement that in
(6) the time that I had been there, I'd demonstrated,
(7) you know, my capabilities as a sales representative
(8) and so was promoted to area sales representative.

(9) I think at that time I also picked up a
(10) couple of small chains of five or six stores that I
(11) became accountable for. But the job
(12) responsibilities were essentially the same as they
(13) were as a sales rep.

(14) Q: Was that in the same locale?

(15) A: That's correct.

(16) Q: Do you know what Camel's demographic target
(17) was in that period? That period meaning between
(18) June 1980 and May 1981.

(19) A: I don't remember there being one specified,
(20) no.

(21) Q: To whom did you report in that position?

(22) A: To the same - same - division sales
(23) manager in Columbia.

(24) Q: And did you supervise anyone?

(25) A: Part time. Rack installers, on a limited

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(1) basis.

(2) Q: And how many of those people were there that
(3) you supervised?

(4) A: It was - it would generally never be more
(5) than one or two. And that would be on a limited,
(6) as-needed basis.

(7) Q: From May 1981 to December 1981, you were
(8) area vending manager; is that correct?

(9) A: That sounds right, yes.

(10) Q: Was that a promotion?

(11) A: Yes, it was.

(12) Q: Describe your responsibilities in that
(13) position.

(14) A: It was moving into entry-level management.
(15) My accountability during that period was to call on
(16) wholesale vendors who ran vending machine operations
(17) in the metro Atlanta market, to ensure that our
(18) products were available and fresh in - within those
(19) vendor's machines.

(20) Q: Were Camel cigarettes sold through vending
(21) machines when you were an area vending manager?

(22) A: Yes, they were. All of our - all of our
(23) products were available through that when we could
(24) secure room in the machines.

(25) Q: Is that also true today with respect to

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(1) Camel cigarettes in vending machines?

(2) A: I would think it would depend on the machine
(3) and the market, but - but would suggest that to me
(4) that they are available, yes, for distribution
(5) through vending machines. That would be the case,
(6) yes.

(7) Q: Does Reynolds place any special restrictions
(8) today on the sale of Camel cigarettes through
(9) vending machines that it doesn't place on any other
(10) brands?

(11) A: I'm sorry.

(12) MR. FRANKEL: Well, let's have the court
(13) reporter read it back, please.

(14) (Previous question read by reporter.)

(15) THE WITNESS: I'm not aware of any specific
(16) requirements. Doesn't mean there are not any. But
(17) I'm not aware of any for Camel that - that would
(18) not apply to all of our products.

(19) BY MR. FRANKEL:

(20) Q: Has there ever been a time during your
(21) tenure with Reynolds when Camel has not been
(22) available through vending machines?

(23) MR. WILLIAMS: That's a double negative.

(24) Let's be careful in that.

(25) MR. FRANKEL: It's not a - it's not a

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(1) double negative.

(2) Would you like the question read back?

(3) THE WITNESS: Please, now, yeah.

(4) (Previous question read by reporter.)

(5) THE WITNESS: I'm not aware of any point in
(6) time in my 19 years with the company where we did
(7) not place - or allow Camels to be placed in a
(8) vending machine.

(9) BY MR. FRANKEL:

(10) Q: To whom did you report in your position as
(11) area vending manager?

(12) A: I reported to the division sales manager -
(13) or one of the division sales managers in the Atlanta
(14) region.

(15) Q: And did you - did you supervise anyone in
(16) that position?

(17) A: No.

(18) Q: Moving right along, from January 1982 to
(19) June 1984, you were assistant division sales
(20) manager; is that correct?

(21) A: Through when?

(22) Q: June 1984.

(23) A: Yes.

(24) Q: And was that also in Atlanta, Georgia?

(25) A: That's correct.

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(1) Q: Was that a promotion?

(2) A: I considered it one. It might have been
(3) officially considered a lateral move.

(4) Q: Describe your responsibilities in that
(5) position.

(6) A: My responsibilities there were to assist the
(7) division manager in the running of that particular
(8) division, including the sales reps and area sales
(9) reps that were part of it, calling on retailers,
(10) wholesalers, vendors within that given market or
(11) assigned division, relative to implementing the
(12) programs that our company had for retail and
(13) securing distribution and product - maintenance of
(14) our products.

(15) Q: What was Camel's demographic target when you
(16) were an assistant division sales manager?

(17) A: There again, I don't remember a specified
(18) demographic target. The brands were more spoken to,
(19) in terms of how I understood them, relative to how
(20) the brand was overall positioned. And we were -
(21) brands were established on a priority basis, whether
(22) they were in a primary position at retail or in the
(23) secondary position at retail in terms of our
(24) contracted space.

(25) And that's really more how I recall

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(1) thinking about our products then, than under some
(2) demographic, psychographic, or what have you target.

(3) Q: Or geographic?

(4) A: Or geographic.

(5) Q: Did you supervise anyone in that position?

(6) A: Well, indirectly I did. Those folks
(7) reported to the division manager. I assisted him.
(8) So there were sales reps and secretaries and
(9) part-timers that worked in that division, but nobody
(10) on paper reported directly to me.

(11) Q: And as with your position as area vending
(12) manager, you still reported to the division sales
(13) manager?

(14) A: It was different ones. But, yes, to a
(15) division sales manager. That's correct.

(16) Q: Was that because the division sales manager
(17) changed also? Because you were in the same area; is
(18) that right?

(19) A: No. There were more -- there were several
(20) divisions within that Atlanta region.

(21) Q: So it's a different geographic division
(22) within the Atlanta region; is that correct?

(23) A: As the area vending, I covered all of metro
(24) Atlanta's major vendors. As assistant division
(25) manager, I reported to the division manager over a

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(1) division that was just part of the greater Atlanta
(2) area.

(3) Q: From June 1984 until April 1985, you were
(4) division sales manager; is that correct?

(5) A: That's correct.

(6) Q: And that was in New Orleans, Louisiana?

(7) A: Correct.

(8) Q: Was that a promotion?

(9) A: Yes, it was.

(10) Q: Describe your responsibilities in that
(11) position.

(12) A: I became accountable for the sale,
(13) distribution, and product maintenance of our
(14) products in the New Orleans division. I had a staff
(15) that reported to me to accomplish that.

(16) Q: And what was Camel's demographic target when
(17) you were a division sales manager?

(18) A: My understanding of how we marketed our
(19) products then or how they were -- in what position
(20) was the same as it was when I was in Atlanta. It
(21) was more of a here's how the brand is positioned in
(22) the programs there and then here's what priority we
(23) are putting on them in a given market.

(24) Q: So you don't know about what the demographic
(25) market was?

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(1) A: I don't recall knowing that, what have you,
(2) other than, as I mentioned earlier, it, you know,
(3) was against adult smokers only. And that was very
(4) clearly made that that's whom and only whom we
(5) market our products.

(6) Q: But nothing more definitive than what group
(7) of adult smokers?

(8) A: Not that I recall.

(9) Q: You used the phrase that the brand was
(10) positioned.

(11) A: Uh-huh.

(12) Q: What do you mean by that phrase?

(13) A: Are you asking today, or are you asking as I
(14) recalled it back then?

(15) Q: As you recall it back then.

(16) A: As I recalled it back then, they talked
(17) about, you know, here is -- this brand is -- stands
(18) for, you know, independence, this brand stands for
(19) stylish, or what have you, was some of the
(20) terminology that was utilized when I was in sales
(21) and communicated to us.

(22) But the primary emphasis was on, this is a
(23) primary brand in terms of its placement at retail
(24) versus the secondary or tertiary positions which
(25) describes our contracted space at retail locations.

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(1) Q: And how was Camel positioned when you were
(2) an assistant division sales manager?

(3) A: I don't recall how it was specifically
(4) positioned.

(5) Q: Do you recall generally how it was
(6) positioned?

(7) A: I would -- I would be guessing.

(8) Q: You also mentioned the phrases primary,
(9) secondary, tertiary positioning for sales; is
(10) that --

(11) A: That's correct.

(12) Q: Okay. And how was Camel positioned with
(13) respect to those phrases when you were an assistant
(14) division sales manager?

(15) A: I can't remember. That worked on a cycle
(16) basis where brands rotated in terms of what position
(17) they had on our contracted space.

(18) Q: Was Camel ever a primary brand during that
(19) period, when you were assistant division sales
(20) manager?

(21) A: I just don't remember.

(22) Q: And the same question with respect to when
(23) you were a division sales manager in New Orleans:
(24) Do you know whether Camel was a primary, a
(25) secondary, or a tertiary brand?

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(1) A: I just don't remember.
(2) Q: Or how Camel was positioned when you were a
(3) division sales manager?
(4) A: Don't remember.
(5) Q: From May 1985 to December 1986, you were an
(6) assistant brand manager; is that correct?
(7) A: That sounds right, yes.
(8) Q: Was that a promotion?
(9) A: It was more money. I did not consider it a
(10) promotion necessarily. I don't know how corporately
(11) that would be - been looked at. Probably as a
(12) promotion, yes.
(13) Q: Why did you make this move from sales to
(14) marketing?
(15) A: Thought it was an opportunity to broaden my
(16) career opportunity and development within the
(17) company. Afforded me the opportunity to come in and
(18) see another perspective of the company than the one
(19) I had been in since I had started with it. Those
(20) would be the primary reasons.
(21) Q: Was this something that you thought of on
(22) your own, or did someone approach you to consider
(23) making this move?
(24) A: I was approached.
(25) Q: And who approached you?

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(1) A: I was officially approached by the regional
(2) sales manager who I reported to.
(3) Q: And this would have been the regional sales
(4) manager who covered the New Orleans division?
(5) A: That's correct.
(6) Q: Do you recall that person's name?
(7) A: Rod - Rod Summers.
(8) Q: That's Rod, R-O-D?
(9) A: I believe so, yes.
(10) Q: S-U-M-M-E-R-S?
(11) A: I think so.
(12) Q: Prior to your coming to the assistant brand
(13) manager position, had you ever had any marketing
(14) experience?
(15) A: No.
(16) Q: And what about educational background, had
(17) you ever had - had you ever studied any marketing
(18) subjects in any of your schooling?
(19) A: Of significance, no.
(20) Q: Describe your responsibilities as an
(21) assistant brand manager, please.
(22) A: I was involved with the development and
(23) production and execution of the marketing plans and
(24) programs.
(25) Q: Was that for several brands? One brand?

(1) What was -
(2) A: That was for the Camel brand when I came
(3) into marketing.
(4) Q: What was Camel's target when you were an
(5) assistant brand manager?
(6) A: Best I can remember, it was adult smokers
(7) 18-plus with an emphasis on 18 to 34.
(8) Q: Was there also an emphasis on males versus
(9) females or vice versa?
(10) A: Best of my recollection, there would have
(11) been a bigger emphasis on males than females,
(12) given - my recollection is that is how that brand's
(13) business skewed.
(14) Q: Earlier you mentioned that among a target
(15) market could be a psychographic. Do you know what
(16) Camel's psychographic target market was during your
(17) tenure as an assistant brand manager?
(18) A: Best of my recollection, words were used
(19) such as virile, masculine, independent.
(20) Q: Anything else come to mind?
(21) A: That's what -
(22) MR. WILLIAMS: Let's have a specific
(23) question.
(24) BY MR. FRANKEL:
(25) Q: Your answer, sir?

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(1) A: That's what comes to mind.
(2) Q: To whom did you report when you were an
(3) assistant brand manager?
(4) A: The senior brand manager for Camel brand.
(5) Q: And who was that?
(6) A: I believe that was Rick Caufield.
(7) Q: To whom did Rick Caufield report?
(8) A: He would have reported, I believe, in our
(9) structure then, to a group marketing director.
(10) Q: And who was that?
(11) A: I don't know for sure.
(12) Q: Was it David Iauco?
(13) MR. WILLIAMS: Do you know?
(14) THE WITNESS: I just don't recall.
(15) BY MR. FRANKEL:
(16) Q: Did you supervise anyone in that position as
(17) assistant brand manager?
(18) A: I had no one reporting directly to me, no.
(19) Q: From January 1987 to November 1988, you were
(20) a brand manager; is that correct?
(21) A: That sounds right, yes.
(22) Q: Was that a promotion?
(23) A: Yes, it was.
(24) Q: And describe your responsibilities in that
(25) position, please.

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(1) A: I was responsible for the strategy,
(2) marketing development, and execution of the brands I
(3) was accountable for.
(4) Q: And which brands were those?
(5) A: I believe they were More - the More brand,
(6) the Now brand, and the Ritz brand.
(7) Q: Was there a period during your tenure as
(8) brand manager - that is, from January '87 to
(9) November '88 - where you had any responsibility for
(10) the Camel brand?
(11) A: I'm sorry. Could you repeat it.
(12) MR. FRANKEL: Let's have the court reporter
(13) read it back, please.
(14) (Previous question read by reporter.)
(15) THE WITNESS: No.
(16) BY MR. FRANKEL:
(17) Q: Did any of the three brands you mentioned
(18) for that period - that is, More, Now, and Ritz -
(19) target younger adult smokers?
(20) A: Could you define what you mean by "target
(21) younger adult smokers."
(22) Q: What does that mean to you, sir?
(23) MR. WILLIAMS: No, no. He has asked what
(24) you mean.
(25) If he's got - you don't have to answer it.

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(1) You've asked him to redefine the question. If he
(2) doesn't want to rephrase it - you've already
(3) indicated you can't answer it that way. We're not
(4) going to play that game.
(5) So move on. Rephrase or -
(6) BY MR. FRANKEL:
(7) Q: My question, sir, is what does - what was
(8) the phrase now that you used?
(9) MR. FRANKEL: Let me ask the court reporter
(10) to read it back.
(11) MR. WILLIAMS: It was the phrase you used.
(12) He asked you to redefine it.
(13) (WHEREUPON, THE QUESTION WAS READ BACK BY THE
(14) COURT
(15) REPORTER AS FOLLOWS:
(16) Did any of the three
(17) brands you mentioned for that
(18) period - that is, More, Now,
(19) and Ritz - target younger
(20) adult smokers?)
(21) MR. WILLIAMS: He asked for your definition
(22) of "younger adult smokers."
(23) THE WITNESS: I'm sorry. I don't -
(24) MR. WILLIAMS: No, no, Cliff, I'm talking to
(25) him. He's asked you what you mean by "younger adult
smokers."

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(1) MR. FRANKEL: Okay. We'll break it down a
(2) little bit.
(3) BY MR. FRANKEL:
(4) Q: What is a younger adult smoker?
(5) MR. WILLIAMS: His definition?
(6) BY MR. FRANKEL:
(7) Q: I'm asking, you, sir: What is a younger
(8) adult smoker?
(9) A: Our definition of a younger adult smoker
(10) is - it then was 18 to 24 or 18 to 34 year old
(11) smoker. Today that would be defined as a 21 to 24
(12) or 21 to 34 year old smoker.
(13) Q: How is it distinguished when the cutoff year
(14) is 24 versus 34?
(15) A: I think for me, anyway, it depends on the
(16) brand that you are on and the emphasis from a prime
(17) prospect standpoint that you are applying.
(18) Q: Now, when I asked you the question earlier
(19) about whether More, Now, or Ritz targeted younger
(20) adult smokers, the problem you had with my question,
(21) the part you didn't understand, was the phrase
(22) "younger adult smokers"?
(23) A: No. It was target.
(24) Q: Okay. Now, earlier when we talked about
(25) target in this deposition, you defined targeting as

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(1) looking at the demographics, the psychographics, or
(2) the geographic aspects of the smokers that Reynolds
(3) is looking at; is that correct?
(4) A: That's how I define it, yes.
(5) Q: Using your definition of target and your
(6) definition of younger adult smokers, was More
(7) targeting younger adult smokers when you were a
(8) brand manager from January '87 to November '88?
(9) A: Best of my recollection, More would have had
(10) a prime prospect or target market. And you asked
(11) specifically about the demographic portion of it.
(12) That would have been 18-plus.
(13) Q: And when you say "plus," is there no limit
(14) on the plus?
(15) A: Eighteen years of age or older, and a
(16) smoker. Yes, that would have been its target market
(17) demographically, as I recall it.
(18) Q: So it could have been, say, a 50 year old?
(19) A: Sure.
(20) Q: What was Now's demographic target when you
(21) were a brand manager for Now?
(22) A: Best of my recollection, it would have been
(23) more in the 35-plus demographic.
(24) Q: And what about Ritz, what was its
(25) demographic target?

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(1) A: Best of my recollection, it would have been
(2) 18-plus.
(3) Q: From a demographic standpoint, what were the
(4) differences between More and Ritz?
(5) A: Demographically, I don't think there would
(6) have been a big difference between the two.
(7) Q: What about from a psychographic standpoint?
(8) A: Psychographically, they probably would have
(9) been very similar as well.
(10) Q: Were More and Ritz competing against each
(11) other?
(12) A: Potentially in certain ways, yeah.
(13) Q: What about from a geographic standpoint?
(14) Were they both sold in the same areas?
(15) A: More was a brand that was available
(16) nationally. Ritz was a brand that was - had been
(17) developed and tested - and I don't recall whether
(18) it was - had been moved to national distribution or
(19) not. I just don't remember.
(20) Q: Getting back to the demographics for More
(21) and Ritz, was one of those brands more focused on
(22) male or female than the other?
(23) A: Both brands' business skewed more - a much
(24) more female than male.
(25) Q: Well, could you describe for me, then, what

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(1) the differences were between More and Ritz from a
(2) marketing standpoint.
(3) A: Well, they were very different products, to
(4) begin with. One was a 120-millimeter product that
(5) was long and dark brown and thin. The other was a
(6) 100-millimeter versus 120 normal circumference
(7) product that had the YSL logo on it.
(8) Q: Now I'm going to figure out which one was
(9) which. Which was the one -
(10) A: The first one was More. The 120, dark,
(11) long, thin cigarette was More. And Ritz was the
(12) 100-millimeter, slim circumference product.
(13) Q: It had the YSL logo on Ritz?
(14) A: Right.
(15) Q: What were the differences between More and
(16) Ritz from a positioning standpoint?
(17) A: I believe More was positioned as a longer
(18) lasting, very unique, different visually product,
(19) while Ritz would have been positioned as a highest
(20) quality, up-scale products.
(21) Q: Were they priced at the same level, too?
(22) A: I believe so, yes.
(23) Q: From December 1988 to August 1989, you were
(24) senior brand manager; is that correct?
(25) A: May I have those dates again.

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(1) Q: From December 1988 to August 1989.
(2) MR. WILLIAMS: Cliff, if you don't recall,
(3) just say that. I mean, he's obviously read a
(4) deposition or something -
(5) MR. FRANKEL: No, I'm -
(6) MR. WILLIAMS: Let me finish.
(7) MR. FRANKEL: Sure. Go ahead. I was going
(8) to help you out.
(9) MR. WILLIAMS: You are, really?
(10) MR. FRANKEL: I think I'll try. But I'll
(11) let you finish.
(12) MR. WILLIAMS: He's going to try. All
(13) right. This is a first, by the way.
(14) MR. FRANKEL: Well, we can quibble about
(15) that.
(16) BY MR. FRANKEL:
(17) Q: Earlier in this litigation, we served
(18) interrogatories, which are questions to Reynolds,
(19) asking that certain information be provided and
(20) sworn to by the company. And one of the questions
(21) we asked was for certain individuals, yourself
(22) included, to provide some employment background.
(23) And there were titles and dates. That's what comes
(24) to mind immediately, titles, dates and positions,
(25) but not descriptions.

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(1) And in preparing this - these questions, I
(2) have looked at that, and these dates came from the
(3) sworn interrogatory answers which Reynolds served on
(4) the Federal Trade Commission. That's my
(5) representation to you. I believe -
(6) MR. WILLIAMS: We're not contesting that.
(7) MR. FRANKEL: Okay.
(8) MR. WILLIAMS: He's just saying he doesn't
(9) recall.
(10) MR. FRANKEL: I understand. Well, I don't
(11) know that he said that.
(12) MR. WILLIAMS: We don't contest it. He just
(13) doesn't recall those dates.
(14) MR. FRANKEL: Well, actually, I don't know
(15) that I've heard him say that. The question -
(16) THE WITNESS: You have laid out a title
(17) change, and there is a period in time of my time
(18) with this company where I moved from one brand
(19) assignment to another without changing titles.
(20) And so what I'm trying to remember, if I
(21) can, in my own mind, is at what point in time I
(22) became a senior brand manager, as you've
(23) characterized it.
(24) There was a point in time where I moved off
(25) of More, Now, Ritz as a brand manager on to another

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(1) business as a brand manager and while I was on that
(2) business was promoted to senior brand manager.
(3) MR. FRANKEL: Good. I understand what you
(4) just said.
(5) THE WITNESS: And I'm just not remembering
(6) the dates. Sorry.
(7) BY MR. FRANKEL:
(8) Q: Okay. That's okay. I understand what you
(9) said. When I gave you the period earlier from
(10) January 1987 to November 1988, when you were brand
(11) manager, I asked you what brands you were brand
(12) manager for, and you responded More, Now, and Ritz.
(13) And I asked if during that period you had any
(14) responsibility for Camel. And I believe your
(15) response was that you didn't.
(16) I'm more than happy if you want to change
(17) that response, or if that's correct as you stated
(18) earlier. Whatever - whatever you recall.
(19) Let me add, if this helps at all, that the
(20) interrogatory responses we received don't define
(21) which brands. That's why I'm going through this.
(22) And it's important to us -
(23) A: It is my recollection that - let's just
(24) hold off on what time for a moment. But in terms
(25) of accountability, that I moved to the Camel brand

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(1) in April or May of 1988 as the brand manager.
(2) Q: Okay. So this would slightly change your
(3) testimony before - so you would not -
(4) MR. WILLIAMS: It may or may not.
(5) MR. FRANKEL: Well, here's the question.
(6) BY MR. FRANKEL:
(7) Q: So you were not a brand manager for More,
(8) Now and Ritz from April or May of 1988 forward; is
(9) that correct?
(10) A: That's correct. That's correct. It's from
(11) whenever I was promoted to brand manager, which I
(12) think was in January or sometime in early '87,
(13) perhaps - I can't remember. But from the time I
(14) was promoted to brand manager up and through March
(15) or April of '88, I was on the More, Now - brand
(16) manager of More, Now, and Ritz brands, and then was
(17) moved over as brand manager to the Camel brand in
(18) either April or May of 1988.
(19) Q: Was your move to - was your move to Camel
(20) brand manager in April or May of 1988 a promotion?
(21) A: No, it was not a title promotion. No.
(22) Q: Was it financially a promotion?
(23) A: I don't recall whether it was or wasn't
(24) financially.
(25) Q: Was it a demotion?

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(1) A: No, it was not a demotion.
(2) Q: And describe your responsibilities as Camel
(3) brand manager.
(4) A: They were the same as it was as brand
(5) manager on More, Now, and Ritz: I was responsible
(6) for strategy development, program implementation and
(7) execution for all marketing elements of the Camel
(8) brand.
(9) Q: What was Camel's demographic target when you
(10) were its brand manager commencing April or May of
(11) 1988?
(12) A: As I recall it, the primary emphasis was 18
(13) to - adult smokers 18 to 34, as the primary
(14) emphasis, and 35-plus as the secondary emphasis.
(15) Q: Was there an emphasis on 18 to 24 year olds
(16) during that period?
(17) A: There was program and development and
(18) research and activity and then implementation of
(19) programs against that prime - competitive prime
(20) prospect, yes.
(21) Q: You say programs. But was it a target, 18
(22) to 24?
(23) A: I don't know that I would define it as a
(24) target. It was an emphasis point of part of the
(25) prime prospect of competitive adult smokers 18 to

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(1) 34, yes. Call it a subset of the 18 to 34 adult
(2) smoker prime prospect for Camel.
(3) Q: And what about the age group 18 to 20? Was
(4) that a target during your period as brand manager
(5) for Camel commencing April or May of 1988?
(6) A: As I recall, there was program development
(7) and activity against the 18 to 24 year old adult
(8) smoker group, and some was looked at against 18 to
(9) 20 year olds. But I don't recall ever doing
(10) anything to the sole exclusion of 18 to 20 year olds
(11) without involving that against a broader adult
(12) smoker age group than that.
(13) Q: And what would that broader adult age group
(14) be - when you looked at 18 to 20 year olds, what
(15) would that broader adult age group be?
(16) A: It could have been 21 to 24. It could have
(17) been 21 to 34. It probably varied. But to have
(18) looked at programs specifically against 18 to 20
(19) year olds would have been inconsistent with
(20) objectives and expectations of the brand at that
(21) time.
(22) Q: You said it would have been inconsistent?
(23) A: Inconsistent.
(24) Q: And why? Why would that be?
(25) A: Because you - you can't successfully

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(1) accomplish from a business standpoint what you need
(2) to among that defined age group of adult smokers, 18
(3) to 20 year olds.

(4) Q: To whom did you report when you were brand
(5) manager for Camel?

(6) A: I believe I reported to the group director.

(7) Q: Do you know who that was?

(8) A: I believe it was Rick Sanders.

(9) Q: And to whom did Rick Sanders report during
(10) that period?

(11) A: I don't recall.

(12) Q: Do you recall the title of the person to
(13) whom Rick Sanders reported?

(14) A: Vice President of marketing.

(15) Q: And does that help you now to recall who
(16) that person was?

(17) A: I just don't remember who - I'm drawing a
(18) blank on who Mr. Sanders reported to.

(19) Q: Did you supervise anyone when you were the
(20) brand manager for Camel?

(21) A: Yes.

(22) Q: Who did you supervise?

(23) A: I probably had a secretary and two or three
(24) assistant marketing or assistant brand managers.

(25) Q: Do you recall what your secretary's name

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(1) was?

(2) A: No, I don't.

(3) Q: And what about the two or three assistant
(4) brand managers, do you recall their names?

(5) A: Hunter MacFarlane, Mark Bolger, Mark
(6) LaBrecque. There was some changes in there during
(7) the course of the time that I had them, but that's
(8) all I can recall right now.

(9) Q: Let me ask, if you recall others while we're
(10) taking this deposition, if you would please point
(11) them out to me.

(12) A: Okay.

(13) Q: Or if you see any documents which have their
(14) names in them, if you would please point that out
(15) for me, I would appreciate it.

(16) A: Okay.

(17) Q: The same would apply to if during the course
(18) of this deposition, if you can recall to whom Rick
(19) Sanders reported, if you would please point that out
(20) to me.

(21) A: Okay.

(22) Q: From December 1988 to August 1989 you were
(23) senior brand manager; is that correct?

(24) A: Could I have those dates again. I'm sorry.

(25) Q: Yes. December 1988 to August 1989.

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(1) A: Through August of '89?

(2) Q: Yes.

(3) A: I just don't - I just can't remember.

(4) Q: Do you recall when you ceased being the
(5) Camel brand manager?

(6) A: Or - being Camel brand manager or
(7) accountable for Camel? Because I was a senior brand
(8) manager during some of that period of time.

(9) Q: I'm referring now to the position brand
(10) manager as opposed to senior brand manager.

(11) A: No, I do not remember when I was promoted -
(12) it just doesn't come to mind when I was promoted to
(13) senior brand manager.

(14) Q: Do you recall when you ceased being senior
(15) brand manager?

(16) A: I believe that would have been August of
(17) 1990.

(18) Q: And is that when you moved to director of
(19) the savings business unit?

(20) A: That's what I believe. I think so, yes.

(21) Q: Was there ever a time when you were - where
(22) you held the position senior marketing manager?

(23) A: There could have been an internal change in
(24) titles from senior brand managers to senior
(25) marketing managers, yes.

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(1) Q: But the responsibilities were the same
(2) between those two positions?

(3) A: As I remember them, yes.

(4) Q: Was your move from brand manager to senior
(5) brand manager a promotion?

(6) A: Yes.

(7) Q: What were your responsibilities as senior
(8) brand manager?

(9) A: The responsibilities essentially stayed the
(10) same as they were when I was brand manager.

(11) Q: When you were brand manager - not senior
(12) brand manager, but brand manager - was there a
(13) senior brand manager for Camel?

(14) A: No.

(15) Q: When you became senior brand manager, was
(16) that a new position, or had someone in the past held
(17) that position?

(18) A: Well, I - there had been previous senior
(19) brand managers on Camel brand, but there had also
(20) been previous brand managers on the Camel brand. I
(21) moved over there as a brand manager and then was
(22) promoted to senior brand manager on the Camel brand,
(23) accountability staying the same but it not being a
(24) new position. It was promoting me as an individual
(25) into the same position that I was.

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(1) Q: During the period when you were senior brand
(2) manager for Camel, what was the demographic target
(3) for Camel? Or to ask it, perhaps, more simply: Did
(4) it change from the period when you were brand
(5) manager to the period when you were senior brand
(6) manager?

(7) A: During the time that I was on the Camel
(8) brand, I do not recall us making any significant
(9) shifts in who our competitive prime prospect was for
(10) the Camel brand.

(11) Q: So for the entire time that you were a brand
(12) manager or senior brand manager for Camel, the
(13) demographic target was 18 to 24 or 18 to 34; is that
(14) correct?

(15) A: I think our competitive prime prospect was
(16) 18 to 34 with segments of 18 to 24 and 25 to 34
(17) looked at as well, yes. But that did not mean that
(18) we did not pay attention to what was going on with
(19) 35 plus, because we had our franchise that we
(20) obviously had to be concerned with, as well, in terms
(21) of franchise maintenance.

(22) Q: Was there ever a time when you were senior
(23) brand manager or senior marketing manager for Camel
(24) when the primary target for Camel was 18 to 24?

(25) A: There could have been periods of time where

(1) earlier?

(2) A: They could have been. I don't remember the
(3) specific time frames of when those individuals
(4) reported to me on Camel.

(5) Q: Can you think of anyone else other than
(6) Mr. MacFarlane, Mr. Bolger, or Mr. LaBrecque who
(7) reported to you when you were senior brand manager?

(8) A: Those are still the only ones that come to
(9) my mind.

(10) Q: And what about senior marketing manager?

(11) A: The same.

(12) MR. FRANKEL: Let's take a quick break here.

(13) (Recess taken from 11:24 a.m. to 11:34 a.m.)

(14) BY MR. FRANKEL:

(15) Q: We're back on the record.

(16) Mr. Pennell, you understand that from time
(17) to time we'll go off the record and then come back
(18) on the record, and that when we're back on the
(19) record you remain under oath? You understand that?

(20) A: Yes, I do.

(21) Q: And all the instructions that we talked
(22) about at the beginning of the deposition still
(23) apply. You understand that?

(24) A: Yes, I understand that.

(25) Q: Did you report to the same person when you

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(1) we looked at and put emphasis on 18 to 24 year old
(2) adult competitive smokers, yes.

(3) Q: Was there ever a time when they were the
(4) primary target?

(5) A: I don't recall specifically regarding the
(6) primary target. Emphasis, yes, primary target, I
(7) just don't recall.

(8) Q: Was there ever a time when you were senior
(9) brand manager or senior marketing manager for Camel
(10) where the emphasis was placed on 18 to 20 year olds?
(11) Marketing emphasis.

(12) A: I don't recall us putting our marketing
(13) emphasis program emphasis, on just 18 to 20 year
(14) olds, no.

(15) Q: How many people did you supervise when you
(16) were senior brand manager for Camel? How many
(17) people did you supervise?

(18) A: I don't - it would not have been different
(19) than it was when I was a brand manager. I think at
(20) any given time, there might have been two or three,
(21) no more than four, individuals that would have
(22) reported to me. Obviously, we interacted with other
(23) groups and what have you. But in terms of me
(24) supervising, that would be it.

(25) Q: Were these the same people you mentioned

(1) were senior brand manager and senior marketing
(2) manager?

(3) A: Best as I recall, yes, I did.

(4) Q: And who was that?

(5) A: I believe it was Rick Sanders.

(6) Q: And from the period when you were senior
(7) marketing manager - that, according to my
(8) information, was September 1989 to July 1990 - do
(9) you know to whom Rick Sanders reported?

(10) A: I'm not real sure who he reported to.

(11) Q: Do you know the title of the person to whom
(12) he reported?

(13) A: I believe it would have been vice president
(14) of marketing or vice president of brand marketing,
(15) something along those lines.

(16) Q: In August 1990 until October 1991, you were
(17) director, savings business unit; is that correct?

(18) A: That sounds right, yes.

(19) Q: Was that a promotion?

(20) A: Yes, it was.

(21) Q: Describe your responsibilities in that
(22) position.

(23) A: The company created a new brand business
(24) unit called the savings business unit, and I was
(25) accountable for all marketing aspects of our

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(1) savings - the savings brands for our company.

(2) Q: How many brands did that encompass?

(3) A: Doral, Magna, Century. I believe during
(4) that period of time we reintroduced the Sterling
(5) brand. There may have been a couple more, including
(6) some private labels.

(7) Q: But you can't recall the names of any
(8) others?

(9) A: Best Value may have been one, and I just
(10) don't remember whether Monarch was introduced during
(11) that time period you referenced or not.

(12) Q: During the period when you were director,
(13) savings business unit, did you have any
(14) responsibilities in connection with the Camel brand?

(15) A: No, I did not.

(16) Q: Did you follow Camel's marketing plans
(17) during this period?

(18) A: Was I generally aware of what was going on
(19) on Camel and how the brand was performing? Yes.

(20) But I was not specifically involved in the
(21) development or implementation or closely track the
(22) activity of the brand, no.

(23) Q: Did you read any of the reports prepared
(24) concerning the marketing of Camel cigarettes during
(25) the period when you were director of savings

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(1) business unit.

(2) A: I don't recall reading any Camel - specific
(3) Camel reports other than reports that were done as
(4) overview from a company standpoint.

(5) Q: So those overview documents would encompass
(6) more brands than Camel; is that correct?

(7) A: As a general rule they did, yes.

(8) Q: Did some of them just encompass the Camel
(9) brand, to the exclusion of other brands?

(10) A: They could have, but I don't recall that
(11) they did.

(12) Q: To whom did you report when you were
(13) director of savings business unit?

(14) A: I'm just drawing a blank. I don't remember.

(15) Q: Do you know the title of that person?

(16) A: It would have probably had the title of vice
(17) president of brand marketing.

(18) Q: It was not Rick Sanders; is that correct?

(19) MR. WILLIAMS: He said he didn't recall.

(20) THE WITNESS: I don't believe it was, no. I
(21) just - I'm just drawing a blank.

(22) BY MR. FRANKEL:

(23) Q: Did you supervise anyone when you were
(24) director of savings business unit?

(25) A: Yes, I did.

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(1) Q: And how many people did you supervise?

(2) A: I probably had, at any given point in time,
(3) two to four direct reports, perhaps. And then they
(4) had some assistants, marketing assistants,
(5) underneath them.

(6) Q: How many people were in the savings business
(7) unit?

(8) A: I think it varied from time to time. But
(9) probably somewhere - including myself and
(10) secretaries, somewhere between six or seven and
(11) twelve people.

(12) Q: Did you supervise any of the same people who
(13) you had also supervised when you were involved with
(14) the Camel brand prior to your taking on the position
(15) of director of savings business unit?

(16) A: Can I have that question again?

(17) Q: Did you supervise any of the same people who
(18) you had supervised before taking on the position of
(19) director of savings business unit?

(20) A: Yeah. The way we rotated people around,
(21) that is quite possible. I don't recall any specific
(22) ones, but it would not have been out of the ordinary
(23) for some people to report to me that had reported to
(24) me in a previous position.

(25) Q: Do you recall bringing any people over with

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(1) you from your work with Camel to your new work with
(2) the savings business unit?

(3) A: No. That did - did not bring anybody over
(4) initially. I do recall that.

(5) Q: From November 1991 to November 1995, you
(6) were vice president, savings business unit; is that
(7) correct?

(8) A: That sounds right, yes.

(9) Q: Was that a promotion?

(10) A: Yes, it was.

(11) Q: Please describe your responsibilities in
(12) that position.

(13) A: The overall accountabilities did not change
(14) significantly. I was still responsible for the
(15) savings business unit. That business had increased
(16) and grown.

(17) At some point during that period, I
(18) believe, if I'm not mistaken, within the time line
(19) you've referenced, we moved our entire private label
(20) business over under my accountability. I think it
(21) was during that time line you're referencing.

(22) Q: Where was private label business prior to
(23) being in the savings business unit?

(24) A: It had officially reported in through our
(25) sales function - sales department.

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(1) Q: Were the brands in the savings business unit
(2) the same brands that you listed previously when you
(3) were involved with the - when you were director of
(4) the savings business unit?

(5) A: Yes.

(6) Q: At this time, meaning the period from 1991
(7) to 1995, was Monarch a brand in the savings business
(8) unit?

(9) A: At some point during that time frame of me
(10) being over the savings business unit either as
(11) director or as vice president, the Monarch brand was
(12) introduced. That's correct.

(13) Q: Now, of the brands you mentioned - and I
(14) could go through the list; I have them if it
(15) helps - were any of them targeted towards 18 to 24
(16) year olds? We're talking about the savings brands
(17) here.

(18) A: The Magna brand, when it was initially
(19) introduced, I believe - not totally positive, but
(20) believe was positioned against 18 to 24 year old
(21) adult competitive smokers.

(22) Q: Was the Magna brand also targeted against 18
(23) to 34 year old adult competitive smokers?

(24) A: Well, my recollection is that it would
(25) have been targeted against all adult smokers but

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(1) would have had its emphasis against either 18 to 24
(2) or 18 to 34, and which of those two it might have
(3) been. I don't recall.

(4) Q: And what about 18 to 20 year olds with
(5) respect to Magna, was there any targeting done for
(6) that age group?

(7) MR. WILLIAMS: Do you know?

(8) THE WITNESS: I don't - I don't recall
(9) whether it specified 18 to 20 versus 18 to 24 versus
(10) 18 to 34, no.

(11) BY MR. FRANKEL:

(12) Q: Had the number of people you were
(13) supervising increased when you moved to vice
(14) president of savings business unit from, say, six or
(15) seven to twelve, which you had previously when you
(16) were director of the savings business unit?

(17) A: At the point that I picked up the private
(18) label business accountability, yes, my staff would
(19) have increased because I picked up that entire
(20) group, which probably had six or seven folks in it
(21) alone.

(22) Q: So what's your best estimate now in terms of
(23) the number of people you were supervising when you
(24) were vice president, savings business unit?

(25) A: There again, I think that fluctuated as

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(1) well, depending on whether at what point the private
(2) label business was there or wasn't. It also
(3) fluctuated at points in time in terms of the number
(4) of people in the savings business unit, X the
(5) private label as well.

(6) So I - I don't know what the maximum would
(7) have been. The maximum couldn't have been more than
(8) 15 or 16 people, I wouldn't think. I just - I
(9) can't - I can't recall it specifically within that
(10) time frame.

(11) Q: And the minimum number of people?

(12) A: I would think that would have been six or
(13) so.

(14) Q: To whom did you report when you were vice
(15) president, savings business unit?

(16) A: It varied during the time that I was in that
(17) capacity. I recall at one period I reported to Jim
(18) Schroer, who was executive vice-president of sales
(19) and marketing. I think at one point I may have
(20) reported to Dave Iauco. And I just can't
(21) remember - sorry, I just can't remember who else.

(22) Q: Again, if you remember during this
(23) deposition, I'd appreciate it if you'd please tell
(24) me.

(25) A: Sure.

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(1) Q: To whom did Mr. Schroer report?

(2) A: I believe he reported to Jim Johnston.

(3) Q: Who was the CEO?

(4) A: President and CEO of the company, yes.

(5) Q: And Mr. Iauco?

(6) A: I think during the time that I reported
(7) to - if my recollection is right, that I did report
(8) to Mr. Iauco, that he reported to Jim Schroer.

(9) Q: Is your current position senior vice
(10) president, brands and marketing operations?

(11) A: My current title is senior vice president,
(12) marketing and president of sports marketing
(13) enterprises, and has been since mid January of this
(14) year.

(15) Q: So let's go back, then, December 1995 to
(16) mid January 1998 you were senior vice president of
(17) brands and marketing operations?

(18) A: I don't recall exactly when I was promoted
(19) to senior vice president. But at that point that I
(20) was, I assumed - maintained accountability for the
(21) savings business unit, picked up accountability for
(22) marketing - sales and marketing operations,
(23) Moonlight Tobacco Company, and the Vantage, More,
(24) Now brands.

(25) And then at some point after that, I

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[1] maintained the savings business unit, including the
[2] private label business, sales and marketing
[3] operations, picked up accountability for sports
[4] marketing enterprises, but no longer had
[5] accountability for Moonlight Tobacco nor Vantage
[6] More, Now brands.

[7] And then at some point after that, I picked
[8] up business strategy and planning.

[9] Q: When did you pick up the category of
[10] business strategy and planning?

[11] A: Picked up that function, best of my
[12] recollection - I can't remember exactly - about a
[13] year ago, I would guess. It may have been sometime
[14] in the fall. It hasn't been more than a year.

[15] Q: When you say "the fall," you're referring to
[16] the fall of 1997?

[17] A: Correct.

[18] Q: Please describe what sales and marketing
[19] operations entails.

[20] A: Sales and marketing operations entails
[21] producing and distributing all sales and marketing
[22] materials to our folks in field sales. It includes
[23] our database marketing group. It includes our
[24] consumer relations department and function. I think
[25] that covers it.

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[1] Q: And sports marketing enterprises, please
[2] describe what that entails.

[3] A: Sports marketing enterprises oversees the
[4] implementation and execution of - of event
[5] marketing activities, most event marketing
[6] activities for our company, including our
[7] motorsports sponsorships.

[8] Q: And that would include the motorsports
[9] sponsorships for Camel?

[10] A: When they had them, yes.

[11] Q: Are there any motorsports sponsorships today
[12] for Camel?

[13] A: No, no motorsports sponsorships take place
[14] by Camel today, no.

[15] Q: When did that cease?

[16] A: I think the last of it ended at the end of
[17] 1997.

[18] Q: The end of the year?

[19] A: The end of the season.

[20] Q: Is there any plan to renew or start
[21] motorsports sponsorship for the Camel brand?

[22] A: Not that I'm aware of, no.

[23] Q: Are there any present sports marketing
[24] activities going on for the Camel brand?

[25] A: No sports marketing - motorsports or in

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[1] general?

[2] Q: In general.

[3] A: There's currently a Camel billiards
[4] sponsorship program in existence. And Camel is also
[5] involved or an associate sponsor with motorcycle
[6] bike week programs.

[7] Q: That's not a sport - or is it?

[8] A: No. That's why I asked for the
[9] clarification. I would not consider that sports
[10] marketing, no.

[11] Q: I'm not quite sure how to describe this.

[12] Are these the people who typically ride their
[13] motorcycles on weekends or - you can probably
[14] explain it better than I can. What does this
[15] entail?

[16] MR. WILLIAMS: Excuse me. Is the question
[17] what is the motorcycle bike week program?

[18] MR. FRANKEL: Yes.

[19] MR. WILLIAMS: Okay.

[20] THE WITNESS: The motorcycle bike week
[21] program is Camel goes and has a presence at and - a
[22] road house tent-type program at venues where
[23] motorcycle enthusiasts come to be at a - Daytona,
[24] for bike week there, or Sturgis, South Dakota, I
[25] believe it is, would be another example. And Camel

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[1] goes there and takes their - they call it their
[2] road show program there as a conversion opportunity
[3] against adult smokers, 21-plus.

[4] BY MR. FRANKEL:

[5] Q: What is the road show program?

[6] A: The road show consists of - of an enclosed
[7] area where you must be 21 years of age or older to
[8] participate that offers music, photo booth, some
[9] custom bikes that have been custom done - are
[10] examples of the kind of activities that take place
[11] inside the Camel road show.

[12] Q: Is there free sampling given for Camel
[13] cigarettes?

[14] A: There's not free sampling. There is a
[15] conversion program in which a person has to show a
[16] photo ID that they are 21 years of age or older.
[17] They then have to demonstrate that they are a
[18] smoker. And they swap their current product for a
[19] pack or two of Camel product.

[20] Q: What are the responsibilities of the
[21] business strategy and planning unit, or department
[22] function?

[23] A: That department serves several functions or
[24] capacities. One of them is - is they oversee the
[25] process of the corporate strategic plan, really, in

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(1) a roll-up or oversight capacity. They oversee all
(2) of our business and consumer tracking function. And
(3) they also handle all of our forecasting activities.

(4) Q: Does Mr. Moore, Jerry Moore, report through
(5) that - that department?

(6) A: Yes, that would be correct.

(7) Q: Is he one of the people that you supervise?

(8) A: He does not report directly to me, but he is
(9) in that department, yes.

(10) Q: Does his present boss report to you?

(11) A: Yes.

(12) Q: And who is that?

(13) A: Scott Keith.

(14) Q: Have you ever been involved with the creation
(15) of any corporate plans for Reynolds prior to your
(16) involvement with the business strategy and planning
(17) department?

(18) MR. WILLIAMS: Will you define corporate
(19) plans. It's a little broad.

(20) THE WITNESS: Yeah.

(21) BY MR. FRANKEL:

(22) Q: That's a - that's a phrase I think you used
(23) in response to my question about what the business
(24) strategy and planning department does.

(25) A: Oh, yeah. I would ask for you to clarify

(1) strategic plans for Reynolds?

(2) A: Not to my recollection. I was accountable
(3) for the Camel brand, and that's where my time and
(4) energy was spent.

(5) Q: When you took on the responsibility of
(6) senior vice president, brand marketing, in or around
(7) December of 1995, to whom did you report?

(8) A: Somewhere around there we had some change in
(9) personnel, and I just can't remember. It would have
(10) either probably have been Jim Schroer or, perhaps,
(11) Andy Schindler or Ove Sorenson.

(12) Q: And what was Mr. Sorenson's position?

(13) A: Mr. Sorenson came to the company for a
(14) fairly brief period of time as executive vice
(15) president of marketing, I believe was his title.

(16) Q: How many people reported directly to you
(17) when you were senior vice president, brands and
(18) marketing operations?

(19) A: It would have varied between what time
(20) you're talking about. But, I mean, trying to think
(21) through it, it would have been at least always as
(22) many as six and probably never more than ten.

(23) Q: To whom did Mr. Sorenson report?

(24) A: When he was here, he reported to Andy
(25) Schindler.

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(1) not only corporate plans, but define for help me
(2) understand what you mean by "involvement."

(3) Q: Well, it's hard for me to define a phrase
(4) that you used. Earlier when I asked you about
(5) business strategy and planning department, what it
(6) does, you listed three items. The first item was
(7) corporate plans. So can you please describe what
(8) that means.

(9) A: What I intended to say or thought I said was
(10) the company's strategic plan, which is a roll-up of
(11) brand plans and - against company objectives.

(12) As best as I can attempt to answer your
(13) question about me being involved in that before,
(14) indirectly I would have to say, yes, I have been
(15) because I was involved in the development of brand
(16) plans and was involved in establishing strategic
(17) objectives and strategies, not only for those brands
(18) but involved in discussions for that - for the
(19) company as a whole.

(20) Q: When did you first have such involvement?

(21) A: I guess to say in any capacity would have
(22) been probably when I became director of the savings
(23) business unit, though I was more limited.

(24) Q: When you were involved with the Camel brand,
(25) had you ever assisted with the creation of any

(1) Q: Have you ever served on Reynolds' Executive
(2) Committee?

(3) A: Yes.

(4) Q: Do you presently serve on that committee?

(5) A: I presently serve on the Operating
(6) Committee.

(7) Q: When did you begin service on the Executive
(8) Committee?

(9) A: I don't recall exactly. It's been at least
(10) a couple of years, if not longer.

(11) Q: What position with the company did you have
(12) when you commenced your service on the Executive
(13) Committee?

(14) A: I would think that I was senior vice
(15) president.

(16) Q: Do you recall how long after you became
(17) senior vice president when you commenced your
(18) service on the Executive Committee?

(19) A: It may have been as soon as I was or later.
(20) I just don't recall.

(21) Q: The Executive Committee still exists, does
(22) it not?

(23) A: That's correct.

(24) Q: When did you cease service on the Executive
(25) Committee?

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(1) A: When I began to report to the executive vice
(2) president of marketing and not the president of the
(3) company, which would have been probably mid January
(4) or so of this year, first part of this year.

(5) Q: When you began your position as senior vice
(6) president for brand marketing, did you have any
(7) responsibility over the Camel brand?

(8) A: No.

(9) Q: Do you have any responsibility over the
(10) Camel brand today?

(11) A: No. Other than implementation of their
(12) event programming that we do for sports marketing.
(13) But that is purely an executional capacity that my
(14) staff does.

(15) Q: For the Camel line chain of command through
(16) the company through the president/CEO does not
(17) involve you in any manner except with respect to the
(18) sports marketing?

(19) A: Yeah, I am not - the Camel brand does not
(20) report directly through me in any capacity today.
(21) That's correct.

(22) Q: What is the function of the Operating
(23) Committee?

(24) A: The Operating Committee functions to meet
(25) and discuss business performance, update each other

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(1) on specific aspects of Operating Committee members'
(2) business, in terms of what is the key things going
(3) on in their departments or areas, and to discuss
(4) specific corporate issues or situations on an
(5) as-needed basis.

(6) Q: When did you commence your service on the
(7) Operating Committee?

(8) A: I believe that that was the first -
(9) sometime the first of this year.

(10) Q: Do the members of the Operating Committee
(11) discuss with other committee members the Camel
(12) brand?

(13) A: How would you mean "discuss"?

(14) Q: Is there an agenda for Operating Committee
(15) meetings?

(16) A: Sometimes there are and sometimes there
(17) aren't.

(18) Q: When there are agendas, do you recall ever
(19) having as an agenda item anything concerning the
(20) Camel brand?

(21) A: Sure. There have been times that we have
(22) discussed the Camel brand in the Operating
(23) Committee.

(24) Q: And what types of issues have been discussed
(25) in the Operating Committee with respect to the Camel

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(1) brand?

(2) A: Sometimes it's relative to how the brand's
(3) performing. Sometimes it's to have someone review
(4) new advertising or - would be examples of when you
(5) might discuss the Camel brand. No differently than
(6) you would the Doral brand or the Winston brand
(7) or ...

(8) Q: And who leads the discussion when there's
(9) discussion of the Camel brand?

(10) A: Generally, I would - I would say that the
(11) person that leads the discussion on the Camel brand
(12) is no different than any other brand, if it is the
(13) person who has accountability for that brand in that
(14) discussion. It could be the vice president of the
(15) Camel brand that has been brought in to participate
(16) in the discussion for that agenda item. Or it could
(17) be their boss that sits on the Operating Committee
(18) that's leading that discussion. I think it just
(19) depends.

(20) Q: Okay. Who sits on the Operating Committee
(21) that has responsibility for the Camel brand?

(22) A: That would be Lynn Beasley.

(23) Q: Does Ms. Beasley also sit on the Executive
(24) Committee?

(25) A: That's correct.

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(1) Q: And you said that sometimes the vice
(2) president that has responsibility for the Camel
(3) brand might also be invited to the meeting. Who
(4) would that be?

(5) A: In Camel's instance, that would be Fran
(6) Creighton.

(7) Q: And she is not a member of the Operating
(8) Committee; is that correct?

(9) A: That's correct.

(10) Q: And she's also not a member of the Executive
(11) Committee?

(12) A: That's correct.

(13) MR. WILLIAMS: You're asking presently,
(14) right?

(15) MR. FRANKEL: Presently, I am.

(16) BY MR. FRANKEL:

(17) Q: Who do you report to today?

(18) A: I report to Lynn Beasley.

(19) Q: And since when have you reported to Lynn
(20) Beasley?

(21) A: End of last year, first of this year.

(22) Q: I'm going to attempt to summarize some of
(23) the dates where I think you've testified today that
(24) you've had responsibility with the Camel brand. And
(25) so if - I don't know if it would be easier for

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(1) you - you don't have to do this, but if it will
(2) help you, I'll give you a piece of paper - and I
(3) don't have an extra pen - oh, you have a pen.
(4) Okay. Would it be an accurate statement of
(5) your employment with Reynolds to say you have been
(6) responsible for or involved with the Camel brand in
(7) one way or another from May '85 to 12/86 and from
(8) April or May '88 to July 1990 - let me start with
(9) those dates. Would that be an accurate statement?

(10) MR. WILLIAMS: What was the last one, 12/88
(11) or '89?

(12) MR. FRANKEL: I'll read -

(13) MR. WILLIAMS: No, just - then let me ask
(14) him.

(15) You wrote down July '90?

(16) MR. FRANKEL: Right.

(17) MR. WILLIAMS: Yeah. I think that's right.

(18) THE WITNESS: Yeah. I mean, 4/88 through
(19) 12/86 is the best of my recollection, sitting right
(20) here, the time that I was the assistant brand
(21) manager on Camel. And 4/88, '88, somewhere in that
(22) ballpark, through the end of July of '90, is, to the
(23) best of my recollection, the time that I was either
(24) brand manager or senior brand manager on the Camel
(25) brand.

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(1) BY MR. FRANKEL:
(2) Q: Okay. Now, looking from the period from
(3) 19 - December 1995 to present, beginning with your
(4) service as senior vice president, brand marketing -
(5) excuse me. I think it's senior vice president of
(6) brands and marketing operations. Beginning with
(7) that position, what periods have you had any
(8) involvement with the Camel brand?

(9) A: I'm going to ask you to define
(10) "involvement."

(11) Q: Well, I think you mentioned sports marketing
(12) enterprises.

(13) MR. WILLIAMS: Yeah, but that's just this
(14) year.

(15) MR. FRANKEL: Well, I'm not sure about that.
(16) BY MR. FRANKEL:

(17) Q: Is that only this year? I know now you're
(18) president of sports marketing enterprises, but I
(19) think you had responsibility for it before that; is
(20) that right?

(21) MR. WILLIAMS: '97, '98.

(22) THE WITNESS: I had oversight accountability
(23) for sports marketing enterprises in '97, yes. And
(24) sports marketing enterprises executed programs that
(25) were developed by the brand in the capacity that we

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(1) discussed, yes. But my involvement directly with
(2) the Camel brand is limited to the two periods you
(3) previously referenced, 5/85 through 12/86 and 4/88
(4) through 7/90.

(5) BY MR. FRANKEL:

(6) Q: Well, I'm not trying to argue with you. I'm
(7) really not. But the sports marketing, there is some
(8) direct involvement with Camel, is there not?

(9) MR. WILLIAMS: He's testified he just
(10) executes what he's told to execute.

(11) THE WITNESS: I mean, this was an
(12) executional capacity that I had oversight of that
(13) department for. But at that time, we had a
(14) president running that company, and my involvement
(15) in that company at that time was very limited until
(16) he was killed in a boating accident in January. And
(17) we had to restructure our marketing department to
(18) facilitate that.

(19) BY MR. FRANKEL:

(20) Q: And the business strategy and planning, that
(21) encompasses Camel as well, does it not?

(22) A: It encompasses Camel on a roll-up basis, but
(23) the majority role, if you will, of that department
(24) was to report performance, both consumer and sales
(25) data, that would have been specific to Camel and

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(1) every other brand we have, both ours and
(2) competitors.

(3) And from the strategic standpoint, then
(4) that involvement would have been more on a roll-up
(5) basis relative to what the corporate objectives were
(6) and then what individual brands' plans were.

(7) I would not have been involved in what
(8) Camel's brand plans were in that regard. That would
(9) have been done by those that were accountable for
(10) the Camel brand and through the course of who they
(11) reported to.

(12) Q: You used the phrase "roll-up basis." What
(13) does that mean?

(14) A: That just means taking the individual brand
(15) plans and other department stuff and pulling them
(16) together into a cohesive corporate plan.

(17) Q: Do you know who Claude Teague is?

(18) A: I know the name. Do not know the
(19) individual.

(20) Q: Have you ever met him?

(21) A: No, I haven't.

(22) Q: What about Diane Burrows, do you know Diane
(23) Burrows?

(24) A: Yes, I do.

(25) Q: Well, who is she?

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(1) A: Diane Burrows was - is a former employee of
(2) the company who worked in our marketing research
(3) department for several years, and I believe also
(4) worked in our brand business unit for a brief period
(5) of time, if I'm not mistaken.

(6) Q: Did her employment with the company overlap
(7) with yours at any time?

(8) A: Yes. She was employed with the company
(9) during a period that I have been employed, yes.

(10) Q: And did it overlap during a period when you
(11) were involved with marketing as opposed to sales?

(12) A: Yes.

(13) Q: Have you ever worked with Diane Burrows?

(14) A: How would you define "worked with"?

(15) Q: Have you ever met her?

(16) A: Yes.

(17) Q: How many times have you met her?

(18) A: Several times.

(19) Q: Can you be a little more specific? More
(20) than a hundred times?

(21) A: I mean, I - I wouldn't know how to define
(22) it in terms of hundreds of times or not. We both
(23) worked in the broad marketing department together at
(24) the same time. She was in marketing research; I was
(25) in brand marketing. And we were on similar floors

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(1) and, perhaps, even at times the same floors.

(2) I mean - so, I mean, yes, we interacted.

(3) Q: Did you ever attend any presentations that
(4) she gave?

(5) A: That's possible, yes.

(6) Q: You don't recall any?

(7) A: I don't recall any specific presentations.

(8) Q: Do you recall any general presentations?

(9) A: No.

(10) Q: Do you recall the subjects of any
(11) presentations she's given?

(12) A: That I've been at?

(13) Q: That you've been at.

(14) A: No.

(15) Q: Do you recall the subjects of any
(16) presentations that she's given that you have not
(17) been at?

(18) MR. WILLIAMS: Excuse me?

(19) He wants to know what was discussed at
(20) presentations you didn't attend.

(21) MR. FRANKEL: I didn't ask what was
(22) discussed.

(23) MR. WILLIAMS: The topic.

(24) Lack of foundation.

(25) THE WITNESS: Not in the course of business,

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(1) no.

BY MR. FRANKEL:

(3) Q: Not in the course of business. I'm not sure
(4) I understand what you mean.

(5) A: Well, there are things that have been shown
(6) to me in other depositions done by Diane - you
(7) know, written or supposedly presented by Diane
(8) Burrows, or what have you, that I was not present
(9) for or what have you. So I can't say that I've not
(10) been shown anything or what have you. But
(11) specifically with her, no.

(12) MR. WILLIAMS: I think what he's trying to
(13) say is the only thing he knows about Diane Burrows'
(14) presentations are what he's been shown by lawyers or
(15) prepared for in other depositions and - so he's not
(16) going to have any personal knowledge of that, of her
(17) presentations.

BY MR. FRANKEL:

(18) Q: Is that correct?

(19) A: As best as I can recall, that is - that
(20) would be correct.

(21) Q: But you're not sure whether you've ever
(22) attended a presentation that she gave?

(23) MR. WILLIAMS: He doesn't recall.

(24) THE WITNESS: I don't recall. That's -
(25)

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BY MR. FRANKEL:

(1) Q: Has Diane Burrows ever worked for or
(2) consulted with people involved with the Camel brand?

(3) MR. WILLIAMS: Camel brand specifically? I
(4) think he says yes.

(5) MR. FRANKEL: Please, let's let the witness
(6) provide the answers -

(7) MR. WILLIAMS: No, no, I'm going to clarify
(8) when you say "the Camel brand." She's worked for
(9) Reynolds. All right?

(10) Now, do you know if she's ever worked on the
(11) Camel brand, presentations on the Camel brand?

(12) THE WITNESS: Well, I don't know whether
(13) she's worked specifically on the Camel brand or not.
(14) She did not, to my recollection, work specifically
(15) on the Camel brand in any of the period of time that
(16) I was on or responsible for the Camel brand.

(17) MR. FRANKEL: Mr. Williams, I would very
(18) much appreciate it if you would let the witness
(19) respond to the questions.

(20) MR. WILLIAMS: I am letting the witness
(21) respond. And my problem here, Mr. Frankel, is
(22) you're going over stuff that is not controverted.
(23) We know what Diane Burrows did. She was deposed for
(24) a whole week last week.
(25)

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(1) I don't understand what you're trying to get
(2) to here. This guy is trying to help you.
(3) MR. FRANKEL: Let's assume hypothetically,
(4) Mr. Williams, that this deponent were to testify
(5) that he was at a Diane Burrows presentation and that
(6) during the presentation she made certain
(7) recommendations about the Camel brand or about
(8) certain targets that the Camel brand should go
(9) after, or any brand should go after, and that this
(10) particular witness might have been working on the
(11) brand at the time, say Camel, and was influenced by
(12) that presentation and decided to follow through with
(13) it. I think that would be relevant to this case.
(14) MR. WILLIAMS: I'm not saying it's not -
(15) first of all, I don't see that it is relevant to
(16) this case. It is relevant - hold on. It is
(17) perhaps relevant to whatever theory you're trying to
(18) develop, which I'm still waiting to find out.
(19) However, he's already said he doesn't recall
(20) attending a Diane Burrows presentation. So it may
(21) be very interesting from a theoretical or, as you
(22) say, hypothetical basis, but it's a theory. It's
(23) not a fact. And you're required to prove facts and
(24) not speculation, hypotheticals or guessing.
(25) Now he said he doesn't recall a Diane

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(1) Burrows presentation. Do you have another question?
(2) BY MR. FRANKEL:
(3) Q: Do you know whether Hunter MacFarlane ever
(4) attended any presentations presented by Diane
(5) Burrows?
(6) A: I have no idea.
(7) Q: What about Mark Bolger?
(8) A: I don't know.
(9) Q: And Mark LaBrecque?
(10) A: I don't know.
(11) Q: What about Rick Sanders?
(12) A: I don't know.
(13) Q: Did any of those people I just mentioned
(14) ever discuss with you work presented by Diane
(15) Burrows?
(16) A: That's possible.
(17) Q: Which of those people are the most possible
(18) discussants with you?
(19) MR. WILLIAMS: Most possible discussants of
(20) Diane Burrows.
(21) MR. FRANKEL: Not of Diane Burrows. That
(22) wasn't what I said.
(23) MR. WILLIAMS: Of Diane Burrows'
(24) presentations.
(25) THE WITNESS: It's possible that any of them

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(1) could have discussed stuff with her or with me that
(2) had come through her involvement in the marketing
(3) research department. It's possible.
(4) BY MR. FRANKEL:
(5) Q: And do you know what her research concerned,
(6) her research with the marketing research department?
(7) MR. WILLIAMS: Does he know through personal
(8) knowledge or what he's been told by lawyers?
(9) MR. FRANKEL: Well, either way.
(10) MR. WILLIAMS: No. If it's the latter,
(11) we'll instruct him not to answer. So why don't you
(12) ask the first question first.
(13) MR. FRANKEL: Are you instructing him to
(14) know whether he knows - are you instructing him not
(15) to answer whether he knows -
(16) MR. WILLIAMS: No, no.
(17) Read it back. I'm just trying to find out
(18) if you're asking from his personal knowledge -
(19) please stop laughing at the witness.
(20) MR. FRANKEL: That is a false statement.
(21) Not only am I not laughing, but I'm not laughing at
(22) the witness. I don't even have a smile on my face,
(23) sir.
(24) MR. WILLIAMS: If -
(25) MR. FRANKEL: Do you want to correct the

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(1) record, sir?
(2) MR. WILLIAMS: No, I saw it.
(3) Now, the question -
(4) MR. FRANKEL: Well, I have not smiled and I
(5) have not laughed. You are smiling right now but I
(6) am not. And now you're laughing, sir.
(7) MR. WILLIAMS: Would you read it back,
(8) please.
(9) (Previous question read by reporter.)
(10) MR. WILLIAMS: All right. And then -
(11) MR. FRANKEL: That was the last question.
(12) MR. WILLIAMS: And my request for
(13) clarification was, from personal knowledge or what
(14) he's been told by lawyers. And if it's what he's
(15) been told by lawyers, yes, I will instruct him not
(16) to answer.
(17) MR. FRANKEL: Well, you're a question ahead
(18) of us, Mr. Williams.
(19) BY MR. FRANKEL:
(20) Q: Do you understand the question, sir?
(21) MR. WILLIAMS: It is compound.
(22) THE WITNESS: How about reading it one more
(23) time, please. Sorry.
(24) (Previous question read by reporter.)
(25) THE WITNESS: Well, Diane Burrows was

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(1) involved in a lot of different stuff, as I recall
(2) it, during the time that I was in marketing and she
(3) was.

(4) BY MR. FRANKEL:

(5) Q: And what was that different stuff that she
(6) was involved in?

(7) A: Well, I don't recall all of it specifically
(8) or exactly or whatever. I mean, I just know that at
(9) some point she was involved in new business
(10) development opportunities within market research, as
(11) I remember it. She was also involved in helping in
(12) non-marketing functions, for example, the
(13) manufacturing folks from a forecasting standpoint at
(14) certain times if my memory serves me correctly.

(15) So I mean, there were different capacities
(16) and different things that she worked on during the
(17) period that I recall her being here and remember in
(18) terms of my awareness.

(19) Q: Do you know whether Ms. Burrows did any work
(20) with respect to the subject of FUBYAS?

(21) A: Yes, she did.

(22) Q: And do you know that from your work at
(23) Reynolds?

(24) A: Yes.

(25) Q: When did you first learn of that?

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(1) A: The best as I can remember, the first time
(2) that I was aware of the first usual brand younger
(3) adult smoker strategy, or study or insight or theory,
(4) however you want to characterize it, was probably
(5) when - sometime around the time that I moved back
(6) over to the Camel brand in 1988.

(7) Q: And how did you become aware of that?

(8) A: I don't remember specifically how I did. I
(9) think that it was in the course of a discussion
(10) relative to that theory and in its application to
(11) the positioning of the Camel brand.

(12) Q: With whom did you have that discussion?

(13) A: I don't remember exactly. It could have
(14) been the marketing research people that, you know,
(15) worked on the Camel brand. It may have been with
(16) some of the marketing assistants. I just don't
(17) recall.

(18) Q: Did you have - ever have a discussion
(19) concerning FUBYAS with Diane Burrows?

(20) A: It's possible, though I don't recall it.

(21) Q: Would that discussion have been while you
(22) were working on the Camel brand?

(23) MR. WILLIAMS: What discussion? He says he
(24) doesn't recall any discussion. It's lack of
(25) foundation.

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BY MR. FRANKEL:

(1) Q: Your answer, sir?

(2) A: Well, like I said, it's possible that I did,
(3) but I don't recall that I did. But it would have -

(4) MR. WILLIAMS: Let's not guess.

(5) THE WITNESS: I don't know, then.

BY MR. FRANKEL:

(6) Q: When is the last time you spoke with Diane
(7) Burrows?

(8) A: On anything?

(9) Q: Yes.

(10) A: I'm not real sure of the exact timing, but
(11) probably two years ago.

(12) Q: Was she working for Reynolds at that time,
(13) or was she a consultant, or was she not involved
(14) with Reynolds?

(15) A: No, I believe she was doing some consulting
(16) work for Reynolds and was in the building at the
(17) time.

(18) Q: You never see her socially?

(19) A: No, I don't.

(20) Q: When is the first time you ever met Lynn
(21) Beasley?

(22) A: The day I became - came into marketing as
(23) assistant brand manager, which would have been

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(1) sometime in '85.

(2) Q: What was her position at that time?

(3) A: She was assistant brand manager.

(4) Q: For what brand?

(5) A: Camel.

(6) Q: So you were both assistant brand managers
(7) for Camel?

(8) A: That's correct.

(9) Q: Were there any other assistant brand
(10) managers for Camel at that time?

(11) A: Yes.

(12) Q: Who else?

(13) A: The only other one I recall was Ned Leary.

(14) Q: Did you divide up your responsibilities as
(15) assistant brand managers for Camel?

(16) A: Yes.

(17) Q: And please describe those divisions of
(18) responsibilities.

(19) A: That's just so long ago that I can't - I
(20) can't say specifically who did what or what have
(21) you. But, you know, as a general practice, somebody
(22) might have promotions, somebody might have
(23) advertising, somebody might have media placement or
(24) retail, as examples. But I can't - if you're
(25) asking me to describe who of those three assistants

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(1) did what, I just don't recall back to 1985 on that.
(2) Q: Is it fair to say that your offices were
(3) near each other?
(4) A: Yes.
(5) Q: And that you interacted quite frequently?
(6) A: Yeah.
(7) Q: Several times a day?
(8) A: It would depend if somebody was traveling or
(9) not. I mean, we didn't always travel together. We
(10) did work on different projects and were executional
(11) in nature. That's what we did as assistants.
(12) Q: When the three of you were in town in the
(13) office, would you meet each other frequently at your
(14) offices?
(15) A: I think it would be fair to say that we
(16) interacted frequently in the course of conducting
(17) our business, yes.
(18) Q: Several times a day?
(19) MR. WILLIAMS: Asked and answered.
(20) THE WITNESS: It varied. It would vary,
(21) depending on - it could be on one day, and another
(22) day you could go without seeing a person at all.
(23) BY MR. FRANKEL:
(24) Q: Even when they were in town in their office?
(25) A: Sure. It was quite possible. You could be

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(1) in meetings all day or dealing with other stuff.
(2) Q: Do you know whether Diane Burrows ever gave
(3) a presentation concerning FUJITSU at which Lynn
(4) Beasley attended?
(5) A: I have no idea.
(6) Q: What about Ned Leary?
(7) A: I have no idea.
(8) Q: Do you know whether Diane Burrows ever met
(9) Lynn Beasley during the period when Lynn Beasley was
(10) an assistant brand manager for Camel?
(11) A: No, I don't.
(12) Q: Did you meet Diane Burrows when you were an
(13) assistant brand manager for Camel?
(14) A: I don't - I don't recall.
(15) Q: What about during the period when you were a
(16) brand manager for Camel, did you meet Diane Burrows?
(17) A: Well, I knew who she was. I perhaps
(18) interacted with her relative to, you know, the
(19) course of business. But I don't remember
(20) specifically or whether I met with her.
(21) Q: Did you ever attend meetings where she was
(22) also an attendee when you were brand manager for
(23) Camel?
(24) A: That's possible. I don't recall.
(25) Q: You don't recall any meetings?

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(1) A: It's a long time ago - you're asking me to
(2) remember whether I was in a room with somebody else
(3) or not that I didn't frequently meet with, if I met
(4) with them at all.
(5) Q: And what about when you were senior brand
(6) manager, did you ever meet with Diane Burrows?
(7) A: It would be the same answer. I mean, I just
(8) did not interact frequently with Diane Burrows. But
(9) I can't tell you that I didn't interact with her at
(10) all. I don't recall.
(11) Q: When you were brand manager for Camel, what
(12) was Lynn Beasley's position?
(13) A: I believe Lynn had moved over into the new
(14) brands group, if I'm not mistaken. Don't remember
(15) for sure.
(16) Q: And new brands had no responsibility for
(17) Camel, to your knowledge?
(18) A: Yeah, not while I was on it.
(19) Q: Not while you were on -
(20) A: The Camel brand.
(21) Q: - the Camel brand.
(22) When you were senior brand manager for the
(23) Camel brand, what was Lynn Beasley's role at
(24) Reynolds?
(25) A: I don't recall. She might have been doing

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(1) the same thing she was when I was brand manager on
(2) Camel.
(3) Q: Meaning new brands?
(4) A: New brands. I just don't recall.
(5) Q: Would the same answers apply when you were
(6) senior marketing manager, as to what Lynn Beasley
(7) was doing?
(8) A: Yes.
(9) Q: Now, when you left the Camel brand in July
(10) of '90 and then went in August of '90 to become the
(11) director of the savings business unit, do you know
(12) what Lynn Beasley was doing at that time?
(13) A: I just - I'm just drawing a blank. I can't
(14) remember - don't recall in 1990.
(15) Q: Was there ever a time when Lynn Beasley came
(16) back to the Camel brand?
(17) A: In what capacity?
(18) Q: In any capacity.
(19) MR. WILLIAMS: After 1990?
(20) MR. FRANKEL: No. After she was an
(21) assistant brand manager.
(22) THE WITNESS: After she was an assistant
(23) brand manager?
(24) MR. FRANKEL: Yes.
(25) THE WITNESS: Yes, there was a period of

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(1) time in which she was the brand manager or senior
(2) brand manager for the Camel brand.

(3) BY MR. FRANKEL:

(4) Q: And when was that?

(5) A: I don't know when she moved over to do that.
(6) I know that I replaced her on the Camel brand when I
(7) moved over as brand manager in either April or May
(8) of '88. But I don't know - I don't recall when she
(9) moved over as brand manager on Camel.

(10) Q: When you left as assistant brand manager for
(11) Camel and went to become the brand manager for More,
(12) Now, and who was the brand manager for Camel?

(13) A: I believe Rick Caufield was still senior
(14) brand manager on Camel when I left the business.

(15) Q: And sometime thereafter, did Lynn Beasley
(16) take over from Rick Caufield?

(17) A: I don't know whether she replaced Rick
(18) Caufield or not. I just don't recall. But she was
(19) brand manager - or senior brand manager on Camel
(20) when I was over there and took her place, if you
(21) will, in April or May of '88.

(22) Q: Do you know how long she had been brand
(23) manager prior to your replacing her?

(24) A: No, I don't.

(25) MR. WILLIAMS: When you're done with

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(1) questions about Lynn Beasley's job descriptions, can
(2) we take a break for lunch?

(3) BY MR. FRANKEL:

(4) Q: Mr. Pennell, at any time during this
(5) deposition today, have I laughed at you?

(6) A: Not that I've paid attention to, no.

(7) MR. FRANKEL: We can take our lunch break
(8) now. I'd like to keep it to 45 minutes.

(9) MR. WILLIAMS: He may not have seen it,
(10) Mr. Frankel. I did.

(11) MR. FRANKEL: I'd like to try to keep it to
(12) 45 minutes, if we could, so we can get a good start.

(13) MR. WILLIAMS: We can go off.

(14) MR. FRANKEL: Let's go off the record.

(15) (Recess taken from 12:46 p.m. to 1:36 p.m.)

(16) MR. FRANKEL: We're back on the record after
(17) a lunch break.

(18) BY MR. FRANKEL:

(19) Q: Mr. Pennell, when you worked on the Camel
(20) brand, did you ever work with David Iauco?

(21) A: Not that I recall. Certainly not directly.

(22) Q: Do you know whether Mr. Iauco had any line
(23) responsibility for the Camel brand when you worked
(24) on the Camel brand?

(25) A: Not that I recall. I just don't remember.

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(1) Q: When you worked on the Camel brand, did you
(2) work at all with Fran Creighton?

(3) A: She was in marketing research at the time, I
(4) believe, but I can't recall whether she worked on
(5) the Camel business or not.

(6) Q: And do you know a Larry Hall?

(7) A: I know who he is, yes.

(8) Q: Did you ever work with Mr. Hall?

(9) A: I believe Larry Hall left the company -
(10) retired from the company not long after I came to
(11) work with it - or came to work in marketing. Not
(12) with the company, but came in the marketing
(13) department.

(14) Q: Did you have any interaction with Mr. Hall?

(15) A: If it was, it was extremely limited.

(16) Q: Do you recall any interaction with him?

(17) A: No.

(18) Q: By what age have most smokers first
(19) experimented with cigarette smoking?

(20) A: Could you ask that again.

(21) Q: By what age have most smokers first
(22) experimented with cigarette smoking?

(23) A: I don't know the answer to that.

(24) Q: Have you ever seen government or other
(25) studies or reports discussing the subject?

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(1) A: I may have read that in newspaper or
(2) articles, et cetera, but in terms of any internal
(3) company discussions, no, I have not.

(4) Our acknowledged universe of smokers is
(5) 18-plus, up until 1992, and then became 21-plus.
(6) And that's who, as a matter of policy and practice,
(7) we marketed our products to, and our efforts were
(8) totally against that age group.

(9) Q: So, to the best of your knowledge, you've
(10) never seen any government studies discussing when
(11) people initiate cigarette smoking?

(12) A: I have not from a company standpoint. Like
(13) I said, I may have read things in the newspaper or
(14) what have you that might have referred to that. I
(15) may have been shown stuff, perhaps, in the course of
(16) depositions relative to that.

(17) Q: And other than newspapers and deposition
(18) preparation or during depositions, you've never seen
(19) reference to such government studies?

(20) A: That's correct.

(21) Q: A couple of times during this deposition
(22) we've both used the phrase "FUBYAS," first usual
(23) brand younger adult smokers. What does the concept
(24) "first usual brand" mean to you?

(25) MR. WILLIAMS: You mean slicing it in half,

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(1) "first usual brand" without "younger adult smoker"?
(2) MR. FRANKEL: Right. I'm only talking about
(3) the first three words now, "first usual brand."
(4) THE WITNESS: As part of the first usual
(5) brand younger adult smoke theory?
(6) MR. FRANKEL: No. I'm just asking the
(7) discrete phrase "first usual brand." I'm not asking
(8) about younger adult smokers at this point.
(9) MR. WILLIAMS: Then I object. There's no
(10) foundation, because there is no meaning to the one
(11) without the other.
(12) BY MR. FRANKEL:
(13) Q: Is that your understanding?
(14) A: First usual brand younger adult smoker is a
(15) theory that I am familiar with. First usual brand
(16) as anything of itself I am not familiar with.
(17) Q: In the course of your work with the Camel
(18) brand, have you ever seen documents referring to
(19) "first usual brand" that do not also in the next
(20) three words say "younger adult smokers"?
(21) A: To the best of my recollection, I have never
(22) seen one without the other - or first usual brand
(23) without younger adult smoker as part of it.
(24) Q: Well, now turning to the longer phrase
(25) "first usual brand younger adult smokers," a/k/a

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(1) FURVAS, when did you first hear that term?
(2) A: Now, it would be hard to say for sure, going
(3) back that far. But probably not until I was a brand
(4) manager.
(5) Q: Are you distinguishing between brand manager
(6) and assistant brand manager?
(7) A: Yes.
(8) Q: And did you hear that phrase when you were
(9) working on the More, Now, and Ritz brands as a brand
(10) manager?
(11) A: It's possible.
(12) Q: Can you think of a time before the period
(13) where you started working on More, Now, and Ritz
(14) where you heard the phrase "first usual brand
(15) younger adult smokers"?
(16) A: No.
(17) Q: Did you hear the phrase while you worked as
(18) a brand manager on the Camel brand commencing from
(19) April or May of 1988?
(20) A: Yes.
(21) Q: And what was the context that you heard of
(22) that phrase?
(23) A: I would think it would have been in the
(24) course of general business discussions relative to
(25) that being a theory regarding how to market products

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(1) against adult smokers.
(2) Q: And who proposed the theory?
(3) A: I'm sorry?
(4) Q: Who proposed the theory?
(5) A: To me?
(6) Q: The first time you heard it was in the
(7) context of some, I think you said, meetings.
(8) A: General business discussions, in whatever
(9) capacity, meetings or otherwise.
(10) Q: So, in that context, how did you come to
(11) hear or read that phrase?
(12) A: I - I don't recall exactly how I came to
(13) hear it. I do know that it was discussed as a
(14) theory and a potential way to market products among
(15) adult smokers. But specifically who it was or where
(16) it was and - I just don't recall.
(17) Q: What does the theory purport? What is the
(18) theory?
(19) A: The theory is, as I understood it and
(20) understand it, follows the process or the theory
(21) lines that 18 to 24 year old smokers, younger adult
(22) smokers, who have made the decision to smoke are
(23) less likely to have made a firm decision on what is
(24) going to - which brand is their usual brand, their
(25) claimed brand, than are adult smokers 25 to 34

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(1) versus adult smokers 35-plus.
(2) Q: Is that - is that your full understanding
(3) of the theory?
(4) A: I mean, that would be the essence of the
(5) theory, as I understand it, yes.
(6) Q: Do you know of any proponents of that theory
(7) at Reynolds when you first heard about the theory?
(8) A: I think that while there had been a clear
(9) understanding and approach to market our products -
(10) or some of our products against adult smokers 18 to
(11) 24 or 18 to 34, that this theory, as - there again,
(12) as I understood it, brought, perhaps, to light this
(13) whole concept of 18 to 24 year olds not having
(14) been - yet made as firm or a firm decision in which
(15) brand was going to be theirs, they were more likely
(16) to switch to another brand at that point and stage
(17) of having decided to smoke, was perhaps newer
(18) information or a different perspective than perhaps
(19) the way it had been looked at.
(20) I know that there were certainly internal
(21) discussions relative to why was it that our major
(22) competitor, with one brand, had almost 70 percent of
(23) 18 to 24 year old adult smokers, and our share was
(24) suffering proportionate to our market share among
(25) that age group.

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(1) Q: Do you know who was a proponent of the
(2) theory at Reynolds?
(3) A: You mean names of individuals who -
(4) Q: Yes.
(5) A: I don't know that I would articulate or
(6) suggest anybody as being, quote, proponents of it.
(7) I think that there were those, certainly, that
(8) believed that there might be something to that
(9) theory in terms of opportunity to market products
(10) against 18 to 24 year old adult smokers.

(11) Q: No one comes to mind, though, as a
(12) proponent?

(13) A: I don't think, in my mind, anybody
(14) specifically to become the real champion of that
(15) thing in terms of it. That was a theory that was,
(16) as I came to understand it, developed and put
(17) together and called the FUBYAS strategy or theory by
(18) Diane Burrows, as I understand it.

(19) But you know, if you're asking me to say
(20) who was for it or who was against it or what have
(21) you in terms of it being a potentially effective way
(22) to market or approach marketing our products, nobody
(23) really stands out. I think that people looked at it
(24) and said, what is the opportunity to apply or
(25) utilize that theory relative to the brand that they

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(1) were or weren't marketing at that given time.

(2) Q: Was Diane Burrows a proponent of the theory?

(3) A: She is the one that put that theory on the
(4) table. I can't answer whether she was or she wasn't
(5) a proponent of it. I never sat and had significant
(6) discussions with Diane Burrows on that. So I
(7) don't - I don't know.

(8) Q: What about Richard Nordine?

(9) A: Richard Nordine. I don't know.

(10) Q: Do you know who Mr. -

(11) A: Yeah, I know who Richard Nordine is, yes.

(12) Q: What about David Iauco?

(13) A: I mean, you would need to ask Dave Iauco
(14) whether he was a proponent or not. I look at him as
(15) being like me. He was one of those folks that
(16) looked at that as being a potential way, depending
(17) on what you were trying to accomplish relative to a
(18) given brand or business opportunity or whether or
(19) not it applied or not.

(20) Q: What about Lynn Beasley?

(21) A: I would say you would have to ask her as
(22) well. But, I mean, I would put her in the same
(23) category as being a way, not the only way or
(24) something that everybody just said this is the only
(25) way to go to market products or what have you.

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(1) Q: What is your view about the validity of the
(2) FUBYAS theory?

(3) A: My feeling is that there is some - some
(4) validity to that theory. It's hard to, in my
(5) opinion, fully argue against it, even if you chose
(6) to, for the fact that, as I mentioned earlier, one
(7) competitive brand had seemed to consistently
(8) dominate 18 to 24 year old adult smokers with a
(9) brand.

(10) I think that it was certainly not one that
(11) I would say applied to every brand or applied in the
(12) same regards in terms of emphasis to - to any brand
(13) that considered that as part of it. You know, I
(14) have had brands that I didn't think it had any
(15) application of significance at all. But if - it
(16) does have application, in my mind, that the longer a
(17) person has smoked as an adult smoker, that the more
(18) loyal they come - become to their - the product
(19) that they have chosen and claim that brand, that
(20) perhaps it might be easier to get that adult smoker
(21) to choose your product versus another than it would
(22) be once they have become, you know, accustomed to
(23) and more loyal to a product that they have smoked
(24) for a longer period of time as an adult smoker.

(25) Q: Are you familiar with a theory concerning

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(1) switchers?

(2) A: Switching as a strategy, yes.

(3) Q: And what is that theory?

(4) A: That theory -

(5) MR. WILLIAMS: I'm sorry. He said it was a
(6) strategy, not a theory.

(7) BY MR. FRANKEL:

(8) Q: What is that strategy?

(9) A: Switching as a strategy, to me, is the way I
(10) personally define any strategy you have of getting a
(11) competitive adult smoker to choose your product.
(12) And let me explain.

(13) I'll back up and state that what I firmly
(14) believe is that if the universe is adult smokers, at
(15) that time, up until 1992, of 18-plus, and since 1992
(16) of 21-plus - if that's your defined universe of
(17) adult smokers, that there are two ways to grow your
(18) business in terms of market share. One is to
(19) maintain your existing franchise, to keep them from
(20) switching to or moving to a competitive brand. And
(21) the second is to get a competitive adult smoker to
(22) move over to your brand. And by me saying move over
(23) to your brand, I mean switch to your brand.

(24) And so, as I characterize it - this is my
(25) own personal viewpoint on it - as I characterize

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(1) it, the FUBYAS strategy is a switching strategy no
(2) different than other switching strategies might be.
(3) The FUBYAS strategy says an individual as an adult
(4) has made the decision to smoke. They are smoking a
(5) brand. They have just not fully decided which brand
(6) that is going to be.

(7) So their loyalty to that brand or that
(8) product, no different than many consumer products,
(9) is less initially than it is over time to a specific
(10) one in the category.

(11) That differs, then, a strategy, such as one
(12) that has been employed for our Doral brand, that
(13) says there I'm going to offer a specific point of
(14) difference for my product than others in the
(15) marketplace and draw the majority of my business
(16) from the 35-plus adult smoker age group, to grow it
(17) to be the largest brand that this company called
(18) R.J. Reynolds makes and the second largest brand in
(19) the industry and have little or no business from the
(20) 18 to 24 adult smoker group.

(21) Both of those are switching strategies.
(22) One gets there relative to the loyalty of an adult
(23) smoker or lack thereof of their loyalty to a
(24) specific brand, and the other one convinces somebody
(25) who has been very loyal to a brand, that there is a

(1) that they were offering it.

(2) So, I mean, it - switching comes - can
(3) come among any adult demographic group. The FUBYAS
(4) strategy, as I stated, in my mind, is driven by the
(5) theory that while they have made the decision to
(6) smoke, they have not fully made the decision on
(7) which brand style they are going to choose to smoke.
(8) And that makes that opportunity, perhaps, one that
(9) is different than getting somebody who has been -
(10) has chosen a brand, not only to smoke, but a brand
(11) for some period of time to move over.

(12) Q: Is it your testimony that FUBYAS is not
(13) distinct from switching?

(14) A: It is my personal opinion that FUBYAS is -
(15) as I define switching, falls within the umbrella of
(16) a switching strategy. That's my personal testimony.
(17) I know that there are those that, perhaps, might
(18) disagree with that.

(19) Q: Have you seen the view expressed - let me
(20) start again.

(21) Have you heard the view expressed at
(22) Reynolds that FUBYAS is a different strategy than
(23) switching, separate and distinct from?

(24) A: Yes.

(25) Q: Do you know anyone that is a proponent of

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(1) better product opportunity or offering in terms of
(2) the whole positioning of that brand than the other
(3) one.

(4) So, in my mind, both of those are switching
(5) strategies.

(6) Q: Can you think of any other switching
(7) strategies other than the two you've mentioned?

(8) A: Well, there are all sorts of positioning
(9) within - I mean, that's what marketing is about is
(10) positioning your product to get others that
(11) participate in that product category to use your
(12) product and to reinforce to those that already are,
(13) to convince choosing your product versus a
(14) competitor's.

(15) You know, the Doral is an example of one
(16) that says - it used a product point of difference
(17) that says it's a high-quality cigarette at a reduced
(18) price, and a very successful strategy. But very
(19) successful primarily among 35-plus from a
(20) demographic standpoint.

(21) You know, the Winston brand was
(22) repositioned, you know, relative to offering a point
(23) of difference on its product in the marketplace as
(24) well. And wasn't price based. It was a product,
(25) pure product point of difference, that - you know,

(1) that view?

(2) A: It's quite clearly been so long that I've
(3) had those discussions that I can't remember
(4) specifically who would say yes or no or what have
(5) you. A lot of time was never spent arguing, at
(6) least from my standpoint, or me in dialogue with
(7) others, on it on whether it was or it wasn't.

(8) I think there was, certainly from my
(9) standpoint, agreement that there were - you know,
(10) both acceptable opportunities to market our products
(11) among adult smokers and adult smokers only.

(12) Q: Has it always been your view that FUBYAS is
(13) a subset of switching?

(14) A: I wouldn't define it as a subset. I would
(15) define it as a type of switching.

(16) Q: Has that always been your view?

(17) A: Yeah. I'd say pretty much so probably, yes.

(18) Q: Now talking about the company, R.J. Reynolds
(19) Tobacco Company, has the company ever taken the
(20) position as to whether FUBYAS is distinct from or a
(21) part of switching?

(22) MR. WILLIAMS: Well, let me interject an
(23) objection. He can testify about what he thinks
(24) about it, and other people can testify what they
(25) think about it. Now you're asking for a company

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(1) position. And I think that's inappropriate to ask
(2) from this witness.
(3) THE WITNESS: I've never been involved in
(4) any discussion about what the company's position on
(5) whether it's a part of the switching or not. I
(6) think that personally it's a moot point. I just
(7) happen to have the viewpoint that it is - that
(8) switching is - encompasses any move of a
(9) competitive smoke - adult smoker over to your
(10) product. There are others within the company that
(11) I'm sure who disagree with that, you know, if you've
(12) got their viewpoint or what have you.

(13) But I'm totally unaware of us having sat
(14) down or anybody sat down, as a company and
(15) developed a viewpoint on whether it is or isn't
(16) switching or not.

BY MR. FRANKEL:

(17) Q: Have you ever seen a strategic plan of R.J.
(18) Reynolds Tobacco Company which distinguishes between
(19) FUBYAS and switching?

(20) A: I don't recall whether I have or haven't.

(21) Q: Would you agree that if a strategic plan did
(22) distinguish between FUBYAS and switching, that that
(23) would be a statement of corporate policy?

(24) MR. WILLIAMS: Object. No foundation for
(25)

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(1) that. He says he doesn't know what corporate policy
(2) is. It's a hypothetical. And it's all
(3) argumentative. I mean, he's giving you what he
(4) thinks about this issue.

BY MR. FRANKEL:

(5) Q: Your answer, sir?

(6) A: I don't know if I saw that in writing one
(7) way or the other, that it would necessarily say that
(8) I believed it was interpreted to be corporate policy
(9) or not.

(10) Q: How was corporate policy set at Reynolds?

(11) A: On what issues?

(12) Q: On issues concerning marketing.

(13) A: As a general rule, I would say that it is
(14) set by any potential issues being put on the table
(15) and the legal department and marketing department
(16) and head of the company agreeing to that policy if
(17) it is truly corporate policy decision.

(18) Q: And how is corporate policy disseminated to
(19) the senior management and the mid-level managers at
(20) Reynolds?

(21) MR. WILLIAMS: Now?

(22) MR. FRANKEL: In the marketing department
(23) now.

(24) MR. WILLIAMS: Now?

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(1) MR. FRANKEL: (Nods head.)

(2) THE WITNESS: I think, as a general rule -
(3) there again, it is generally that it depends on the
(4) nature of the policy that has been established or
(5) what have you.

(6) But generally speaking - well, my
(7) recollection would be that our policy is it would be
(8) done quickly and in writing.

BY MR. FRANKEL:

(9) Q: And what does the writing look like? How is
(10) it disseminated? Is it a memorandum? Is it a
(11) strategic plan? What is it - what is it that comes
(12) out that relays this information to the managers?

(13) A: I think it would depend on the issue at
(14) hand. I mean, I can't give you an answer to that
(15) and it encompass every policy decision or
(16) communication that is put down by the company.

(17) Q: Do Reynolds strategic plans relay corporate
(18) policy?

(19) MR. WILLIAMS: I'm going to object. This is
(20) speculative and argumentative.

(21) THE WITNESS: I don't know that they -
(22) whether they - they could or - but they don't have
(23) to. I mean, the folks that are involved in dealing
(24) with, you know, company strategies are - should
(25)

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(1) be - and are well versed on what company policy is.
(2) The folks that are involved in putting that together
(3) should be the ones reinforcing and leading what
(4) company policy is. And I think that's the way that
(5) works. Whether it's specifically listed there or
(6) not, I can't say.

BY MR. FRANKEL:

(7) Q: Are cigarettes, as a consumer good category,
(8) a product which has a high degree of brand loyalty?

(9) MR. WILLIAMS: As opposed to what? You're
(10) asking for a relative determination. You need a
(11) reference point.

(12) THE WITNESS: Can you read the question,
(13) please.

(14) (Previous question read by reporter.)

(15) THE WITNESS: Yeah. Cigarettes have a high
(16) degree of brand loyalty not unlike other items such
(17) as toothpaste and laundry detergent or what have
(18) you. But loyalty is - for cigarettes is - is
(19) high.

BY MR. FRANKEL:

(20) Q: Is brand loyalty among cigarette smokers
(21) higher than it is among users of toothpaste?

(22) A: I don't know and recall the specific numbers
(23) and comparisons.
(24)
(25)

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(1) Q: And laundry detergent, same answer?
(2) A: Yes.
(3) Q: Can you think of any consumer good that has
(4) a higher degree of brand loyalty than cigarettes?
(5) A: No, not because I don't think that they may
(6) not - that they don't exist, but I just can't -
(7) one doesn't come to mind.
(8) Q: Do you know what percentage of cigarette
(9) smokers switch brands each year?
(10) A: No, I don't.
(11) Q: Approximately?
(12) A: No.
(13) Q: Within a particular cigarette brand, is
(14) there a group of hard-core brand loyalists that are
(15) very unlikely to switch?
(16) A: I think any brand has a product user profile
(17) that ranges from extremely highly loyal to a range
(18) of less loyal or occasional users of that product,
(19) yes.
(20) Q: Let's take Camel now as an example. Is
(21) there a group of highly brand loyal Camel smokers
(22) who are unlikely to switch?
(23) A: There is a group with any brand that falls
(24) into that category, in my opinion, yes. And Camel
(25) would be no exception.

(1) strategy doesn't necessarily bring that premise of
(2) having an identified prime prospect of 18 to 24 or
(3) 18 to 34. That was ...
(4) So from my own personal awareness or
(5) involvement or what have you, I believe I can know
(6) of points in times where prime prospects,
(7) competitive prime prospects, among adult smokers 18
(8) to 24 or 18 to 34 had been identified before I was
(9) aware of the FUBYAS - can recall being aware of the
(10) FUBYAS strategy.

BY MR. FRANKEL:

(11) Q: When you began your work with the Camel
(12) brand in May of 1985, was Lynn Beasley already an
(13) assistant brand manager with Camel?
(14) A: Yes.
(15) Q: Do you know how long she had been an
(16) assistant brand manager prior to your arrival?
(17) A: I have no idea.
(18) Q: Do kids smoke?
(19) MR. WILLIAMS: Would you define kids under
(20) 18? No, no, I'm asking you to define it.
(21) THE WITNESS: Well, I mean, I would assume
(22) you were talking about non-adult smokers or
(23) non-adults?
(24) MR. FRANKEL: The word is unclear, the word

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(1) Q: How large is that group for Camel?
(2) A: I don't know.
(3) Q: Is it approximately 50 percent?
(4) A: I don't know.
(5) Q: Does that number sound high to you?
(6) MR. WILLIAMS: He said he doesn't know.
(7) THE WITNESS: I don't know.
(8) BY MR. FRANKEL:
(9) Q: Has anyone ever decided to use the FUBYAS
(10) strategy for Camel cigarettes?
(11) MR. WILLIAMS: Decided to use it?
(12) MR. FRANKEL: Yes.
(13) THE WITNESS: I really don't know how to
(14) answer that question, other than to say that when
(15) efforts were being made to make progress against 18
(16) to 24 or 18 to 34 year old adult smokers prior - on
(17) Camel - prior to me being aware of the FUBYAS
(18) strategy.
(19) So from my own personal standpoint, I can't
(20) say that somebody said: Gees, we're going to start
(21) adopting that strategy and apply it on Camel. I'm
(22) not aware of that, if that was done.
(23) One could have still had a prime prospect
(24) identified of 18 to 24 or 18 to 34, irregardless of
(25) the FUBYAS strategy. And, I mean, the FUBYAS

(1) "kids"? You don't understand that word?
(2) THE WITNESS: I would like, in this
(3) environment, to have it specified for me.
(4) BY MR. FRANKEL:
(5) Q: Well, let me ask you: What does it mean to
(6) you, kids?
(7) A: I look at kids as being, to me, my
(8) definition, thinking about it, is 16 or under, but
(9) certainly under 18.
(10) Q: Well, using your definition as 16 or under
(11) for kids -
(12) A: Fine.
(13) Q: Is that right?
(14) A: That's fine.
(15) Q: Well, I'm not trying to put the words in
(16) your mouth. I want to know what your definition of
(17) kids is.
(18) A: Well, I mean -
(19) MR. WILLIAMS: He said 16.
(20) THE WITNESS: - whether we use 16 or under
(21) or under 18, either is fine with me.
(22) BY MR. FRANKEL:
(23) Q: Okay. Using 16 or under, do kids smoke?
(24) A: Unfortunately, yes, they do.
(25) Q: Do you have any idea what percentage of

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(1) smokers start smoking by the time they're 16 years
(2) old?
(3) A: No, I don't.
(4) Q: Have you ever conducted or moderated a focus
(5) group?
(6) A: I have never moderated a focus group. I
(7) have been to focus groups, but I have never
(8) moderated one, no. Not that I can recall.
(9) Q: Have you ever been in the room with the
(10) focus group participants or respondents - I'm not
(11) quite sure what the right word is. Maybe I'll step
(12) back and ask: The people who are attending
(13) a focus group and being shown executions, what are
(14) those people called?
(15) A: Respondents, adult smoker respondents.
(16) Q: Have you ever been in the room with the
(17) respondents during a focus group as the focus group
(18) was being conducted?
(19) A: Yes.
(20) Q: And have you also observed focus groups by
(21) being outside the room but perhaps behind something
(22) like a one-way mirror observing the focus groups?
(23) A: That's the common approach, yes.
(24) Q: But you've done both?
(25) A: Well, the instance where I have been in the

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(1) room has been when the audio did not work and behind
(2) the glass, and in order to hear the respondents, a
(3) couple of us had to move into the room and sit in
(4) the back of it to listen to them.
(5) Q: Is that a rare occasion?
(6) A: Yes, very rare occasion.
(7) Q: It happened how many times?
(8) A: That I can recall, it happened to me once.
(9) Q: How many times have you observed a focus
(10) group from, say, behind the one-way mirror?
(11) A: How many focus groups have I been to?
(12) Q: Yes.
(13) A: A fair amount. I wouldn't even care to
(14) guess at the number.
(15) Q: More than twenty?
(16) A: Yes.
(17) Q: More than a hundred?
(18) MR. WILLIAMS: He doesn't know.
(19) THE WITNESS: I don't know whether it's more
(20) than a hundred or not or even close to a hundred.
(21) More than twenty, yes.
(22) MR. WILLIAMS: Mr. Frankel, it's 2:15.
(23) MR. FRANKEL: Okay. We'll take a break so
(24) counsel can participate in a telephone conference
(25) with the court.

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(1) MR. WILLIAMS: No, it's actually - do you
(2) really want the purpose of this on the record?
(3) MR. FRANKEL: I thought that's what the
(4) purpose was, but ...
(5) MR. WILLIAMS: Well, the purpose is - let's
(6) go off the record.
(7) (Recess taken from 2:15 p.m. to 2:30 p.m.)
(8) MR. FRANKEL: We're back on the record.
(9) BY MR. FRANKEL:
(10) Q: How often did you review results of focus
(11) groups?
(12) A: In my 19 years with the company or a
(13) specific point in time or - because it would vary.
(14) Q: First I want to ask you about your entire
(15) experience with the company - well, first - I
(16) assume you did not review focus group results when
(17) you were in sales; is that correct?
(18) A: I didn't review any. I attended several,
(19) not many.
(20) Q: Did you ever attend focus groups when you
(21) were in sales concerning the Camel brand?
(22) A: No.
(23) Q: When you attended focus groups while you
(24) were still in sales, why did you attend?
(25) A: I think one of them was when we were talking

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(1) to some independent retailers about merchandising
(2) programs in their stores, and I can't remember the
(3) other one. But they were both related to sales-type
(4) issues.
(5) Q: Okay. I understand the distinction, then.
(6) Let me focus my question, then - pardon
(7) the pun. It was not intended. But let me focus my
(8) question on focus groups that concern consumers of
(9) cigarettes, people who smoke.
(10) A: Okay. But, there again, if you could define
(11) for me, if you choose to, a specific period of time,
(12) because it varies greatly between how much time I'm
(13) involved at all in focus groups, today, for example,
(14) versus when I was brand manager versus when I was a
(15) director or VP or -
(16) Q: Well, for your entire career with Reynolds,
(17) can you give me a ballpark estimate, your best
(18) estimate, as to how many focus groups you attended
(19) where the respondents were smokers?
(20) MR. WILLIAMS: He's already said sometimes
(21) over twenty, but he doesn't know if it's over a
(22) hundred. Asked and answered.
(23) THE WITNESS: With the exception of those
(24) time in sales where those were retail customers, not
(25) consumers, I have never attended focus groups for

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(1) this company that they weren't adult smokers. I
(2) mean, it's a hundred percent of the time.

(3) BY MR. FRANKEL:

(4) Q: And getting back to - I think the original
(5) question when we came back from the break is reports
(6) that you reviewed. Did you ever review reports
(7) concerning focus groups?

(8) A: Yeah. There were probably - in the early
(9) days that I was in marketing, there were probably,
(10) perhaps, reports issued or recaps or summaries done
(11) by those who went to the groups so that those who
(12) did not go to the groups could understand what was
(13) learned or covered.

(14) Q: And how many reports of focus groups where
(15) the respondents were smokers did you review in your
(16) career with Reynolds?

(17) A: I don't know.

(18) Q: More than a hundred?

(19) A: No, I mean - I just don't know. We
(20) mentioned earlier that - if I'm not mistaken, that
(21) I've been to, you know - attended more than twenty
(22) focus groups but don't know whether it's a hundred
(23) or less or right at or what have you. I really just
(24) don't know. I don't recall.

(25) You know, and it also depends in terms of

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(1) whether I was at the focus groups, actually
(2) attending them or not, in terms of how aware I was
(3) in terms of what was covered or learned in those
(4) focus groups.

(5) Sometimes you can go to focus groups and
(6) depart, if you will, and discuss what was learned
(7) or reported before you leave the facility at the end
(8) of the night. And that's kind of the extent of it
(9) and you agree to the next steps. There are any,
(10) coming out of that.

(11) Other times there might be a discussion
(12) back among the brand so that those who were weren't
(13) there can be brought up to speed on, perhaps, what
(14) was covered during that.

(15) Q: But your answer is that you don't know how
(16) many reports you reviewed?

(17) A: Yeah, I flat don't know.

(18) Q: Have you ever seen a videotape of any
(19) portion of any Camel focus group?

(20) A: Not that I recall, no.

(21) Q: Did you ever attend or observe any Camel
(22) focus groups?

(23) A: Yes.

(24) Q: How many?

(25) A: I don't know.

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(1) Q: Did any of these Camel focus groups concern
(2) or relate to the French Camel?

(3) A: How are you defining the French Camel?

(4) Q: Well, obviously you've heard of the French
(5) Camel?

(6) A: That's correct.

(7) Q: In your mind, what is the French Camel?

(8) A: To me, the French Camel, in my mind, is a -
(9) the literal specific French Camel execution that was
(10) done in France.

(11) Q: And are you familiar with any promotions in
(12) the United States that were ever considered or used?

(13) A: Yes.

(14) Q: That used the French Camel?

(15) A: That used the literal French Camel, yes, I
(16) am.

(17) Q: And were there any focus groups, to your
(18) knowledge, with respect to the French Camel in the
(19) United States?

(20) A: I don't recall.

(21) Q: Do you recall ever observing any such focus
(22) groups?

(23) A: Not that comes to mind. Doesn't mean it
(24) didn't happen, but none comes to mind. I do know
(25) that we utilized the specific French Camel

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(1) execution.

(2) Q: Are executions ever utilized without first
(3) having a focus group?

(4) A: It's possible, yes.

(5) Q: Is that a frequent occurrence, or is that a
(6) rare occurrence?

(7) A: I would say it is the exception versus the
(8) rule.

(9) Q: Would you call it rare?

(10) A: Fine.

(11) Q: How many instances can you recall where an
(12) execution was utilized that had not first gone
(13) through a focus group?

(14) A: I can't recall any specifically.

(15) Q: Have you ever reviewed a report for a focus
(16) group with respect to the French Camel?

(17) A: Not in a course of doing business - of
(18) normal business that I can recall. It seems to me
(19) that I was shown something that was - in a previous
(20) deposition that referred to the French Camel.

(21) Q: And prior to that deposition, you had never
(22) seen that report before?

(23) A: No, I hadn't.

(24) Q: Or other similar reports with respect to the
(25) French Camel?

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[1] A: That's correct. No, I hadn't.
[2] Q: Have you ever observed any focus groups
[3] concerning or relating to Joe Camel?
[4] A: Yes.
[5] Q: When was the first time you did that?
[6] A: Probably upon becoming brand manager on
[7] Camel in 1988.
[8] Q: Have you ever observed a focus group that
[9] utilized illustrated characters other than the
[10] French Camel or Joe Camel but with respect to the
[11] Camel brand?
[12] A: I'm not sure I understand what you mean
[13] there.
[14] Q: Okay. Let's -
[15] A: Can we read it back or start there or -
[16] Q: Well, we can do it either way you want. We
[17] can either have the question read back, or if you
[18] can recall portions you find unclear, I'll be happy
[19] to try and help you.
[20] MR. WILLIAMS: Read it back.
[21] MR. FRANKEL: That's fine.
[22] (Previous question read by reporter.)
[23] THE WITNESS: I'm going to answer that no
[24] because everything that I recall that I was - ever
[25] saw was renditions of what I would describe as Joe

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[1] Camel. It may have been some that didn't run or
[2] were inappropriate, et cetera, but were all under
[3] that intended objective.
[4] And, as we already stated, my belief is
[5] that the French Camel, at least as I refer to it,
[6] was that one execution that was done in France of
[7] the camel coming out of a pack of cigarettes.
[8] BY MR. FRANKEL:
[9] Q: With respect to Camel focus groups, how were
[10] respondents chosen and qualified to be participants
[11] in the focus group?
[12] A: Well, once it was determined what market we
[13] wanted to go and do Camel focus groups in and
[14] conduct qualitative research in, then our marketing
[15] research department would contract with a research
[16] facility there. They would give them our
[17] guidelines, policies, and procedures for the
[18] recruiting process, and then they would do the
[19] recruiting for us. And we would specify the type of
[20] respondents that we wanted to as adult smokers
[21] attend those groups. We wanted to have a group of
[22] 18 to 20 year olds, a group of 21 to 24 year olds, a
[23] group of 25 to 34, and a group of 35-plus, as an
[24] example of how it might go.
[25] And then they would recruit, through their

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[1] existing database, that facility, the smokers that
[2] would be qualified to come as - and certified to
[3] come as adult smokers, meeting those breakouts that
[4] we had requested.
[5] Q: So Reynolds would set the guidelines in
[6] terms of the demographics of the respondents; is
[7] that correct?
[8] A: That's correct.
[9] Q: And it would be up to the focus group
[10] contractor or company -
[11] A: Facility.
[12] Q: - facility to choose the respondents?
[13] A: They would recruit and screen for the
[14] respondents to meet the criteria as adult smokers in
[15] the age breaks that we specified, yes.
[16] Q: And, to your knowledge, did those facilities
[17] always properly screen and choose the respondents?
[18] MR. WILLIAMS: Can you define what you mean
[19] by "properly"?
[20] BY MR. FRANKEL:
[21] Q: Do you understand the question?
[22] MR. WILLIAMS: You mean within the rules
[23] given by Reynolds?
[24] MR. FRANKEL: As defined by Reynolds.
[25] MR. WILLIAMS: Okay.

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[1] THE WITNESS: I have - I never, to my
[2] knowledge or recollection, ever experienced a
[3] situation where we had anybody underage as a smoker
[4] or nonsmoker in our - either one - in our - in
[5] groups that I've attended.
[6] I am aware that there were times where we
[7] would challenge whether that person who walked into
[8] the room was old enough or not and actually have the
[9] facility rescreen them, because one of their
[10] criteria is to have them show proof of age when they
[11] come to the actual facility to participate.
[12] There have been times where they did not
[13] recruit as many in a particular age bracket. We
[14] were looking for ten 35-plus respondents, and maybe
[15] they only got eight, or somebody was in the - you
[16] know, was not there to the degree that we - that we
[17] wanted to.
[18] But as a general rule, I think, you know, my
[19] experience was that they met the criterias and
[20] guidelines. And our marketing research folks were
[21] the ones that would also be present at those groups
[22] and working with the facility relative to making
[23] sure they met our requirements and expectations.
[24] We also developed, in my opinion, a habit of
[25] using specific facilities because they had

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(1) demonstrated to us their ability to understand what
(2) we were looking for and the rigidity of our
(3) restrictions relative to who we talked to.

(4) BY MR. FRANKEL:

(5) Q: Was a Reynolds employee always present at
(6) all Camel focus groups?

(7) MR. WILLIAMS: You mean that he attended?

(8) MR. FRANKEL: No. Any - when he was
(9) affiliated with the brand, Camel brand.

(10) MR. WILLIAMS: Well, he's not going to know.

(11) THE WITNESS: I don't know the answer to
(12) that. I would assume very much so that they were -

(13) MR. WILLIAMS: Let's not assume.

(14) THE WITNESS: - but I don't know whether
(15) they were or they weren't in every instance, no.

(16) BY MR. FRANKEL:

(17) Q: Was there a practice at Reynolds to have a
(18) Reynolds employee observing every focus group?

(19) A: During my time on Camel, it was my
(20) expectation and certainly understanding that if we
(21) had commissioned qualitative groups to take place,
(22) and we were the ones that were, you know, requiring
(23) those or asking for those to take place and
(24) commission them, et cetera, that somebody from the
(25) company, in particular the brand or marketing

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(1) research for the brand, would be present. Yes, that
(2) would be my expectation.

(3) Q: Did you ever observe a situation where a
(4) challenge was made of a respondent and the
(5) respondent was unable to prove that he or she was
(6) someone who should be in the room for whatever
(7) reason I assume it would have to be age.

(8) MR. WILLIAMS: I'm sorry, I'm going to need
(9) that question back, unless you want to rephrase it.

(10) BY MR. FRANKEL:

(11) Q: Have you ever had a problem - a
(12) situation - start again.

(13) Have you ever had a situation where a
(14) challenge was made to one of the respondents at a
(15) Camel focus group on the basis of their age?

(16) MR. WILLIAMS: I think he's already
(17) testified to that.

(18) THE WITNESS: There have - were instances
(19) that I'm aware of where we challenged whether or not
(20) somebody really met the age requirements when we
(21) were talking to, at that time, 18-plus.

(22) And as I recall it, there was never an
(23) instance where, when we challenged that, that it
(24) wasn't confirmed that they were, in fact, 18 years
(25) of age and a smoker.

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BY MR. FRANKEL:

(1) Q: So, in other words, you can never think of a
(2) situation where someone had to leave the room
(3) because of them being underage?

(4) A: That's correct.

(5) Q: How many challenges are you aware of - are
(6) you personally aware of?

(7) A: It wouldn't be many. I - I would be
(8) guessing if I threw out a number. It just would not
(9) be many.

(10) Q: Less than ten?

(11) A: I would be guessing. I just don't know.

(12) Q: How would the facility control as to whether
(13) or not the respondent was a smoker?

(14) A: My understanding is - is that that would be
(15) through several steps. The first was the initial
(16) phone contact or however they initiated the
(17) conversation with them the first time. The second
(18) would be confirmation on follow up to - you know,
(19) you're going to be here on this date, et cetera.

(20) And then my understanding is that when they
(21) showed up at the facility, that they would be asked
(22) to not only show their photo ID, confirming that
(23) they were that age, but also demonstrate by showing
(24) that they had product on them to the point where if
(25)

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(1) they had to go back to the car or not. That's my
(2) understanding.

(3) I was not personally involved in being the
(4) one at the front desk when they were going through
(5) that. That's my understanding of the process.

(6) Q: Have you ever seen a situation where someone
(7) was asked to not participate in a focus group for
(8) Camel because they did not have the product or they
(9) could not show that they were indeed a smoker?

(10) A: Specific to Camel, I don't recall that, no.

(11) Q: Have you ever heard of something like that
(12) with respect to any Reynolds brand?

(13) MR. WILLIAMS: You mean a challenge on the
(14) basis of whether they were a smoker?

(15) MR. FRANKEL: Correct.

(16) THE WITNESS: Yeah, there may have been
(17) instance where this person was -

(18) MR. WILLIAMS: No, no. He asked have you
(19) ever heard. Of course there may be instances.

(20) THE WITNESS: Well, I'll rephrase it.

(21) I am aware of one instance where I was at
(22) focus groups - not for a Camel brand but for
(23) another brand - in which we were going to, quote,
(24) have ten people qualified as respondents and one of
(25) them was sent home because they could not confirm

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(1) and the research facility did not believe that they
(2) were really a smoker. They easily met the age
(3) requirement. But it was the facility's belief and
(4) they couldn't confirm it. And they felt that they
(5) were there just to get paid to be a respondent. But
(6) that is - that's the only ...

(7) BY MR. FRANKEL:

(8) Q: When you were working on the Camel brand,
(9) what was the typical payment to a respondent in a
(10) focus group?

(11) A: My best recollection is it was probably
(12) around forty dollars.

(13) MR. FRANKEL: Let's have this marked as
(14) Pennell Exhibit Number 1.

(15) (Pennell Deposition Exhibit Number 1 was
(16) marked for identification.)

(17) MR. FRANKEL: Pennell Number 2.

(18) (Pennell Deposition Exhibit Number 2 was
(19) marked for identification.)

(20) MR. FRANKEL: Pennell Number 3.

(21) (Pennell Deposition Exhibit Number 3 was
(22) marked for identification.)

(23) MR. FRANKEL: Three exhibits have been
(24) marked: Pennell Number 1, Pennell Number 2, and
(25) Pennell Number 3. And just for the record, let me

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(1) describe each of them.

(2) Pennell Number 1 is a September 21, 1988,
(3) marketing research report from M. R. Bolger to G. C.
(4) Pennell. And the title is "Camel 'Big Idea' Focus
(5) Groups - Round II."

(6) Pennell Number 2 is an October 14, 1988,
(7) marketing research report from Mr. M. R. Bolger to
(8) Mr. G. C. Pennell, "'Heroic Camel' Advertising Focus
(9) Group."

(10) And Pennell Number 3 is an August 2nd,
(11) 1989, marketing research report from S. L. Snyder to
(12) Mr. G. C. Pennell titled "Camel 'Big Idea' Focus
(13) Groups."

(14) BY MR. FRANKEL:

(15) Q: Mr. Pennell, do you have each of those three
(16) exhibits in front of you?

(17) A: Yes, I do.

(18) Q: Have you ever seen these exhibits before?

(19) A: I may have. I'd like to be able to read
(20) through each one of them.

(21) Q: Take your time. Maybe - maybe, if you'd
(22) like, we can go off the record for a few minutes
(23) while you read through them.

(24) I'm not going to ask you questions about
(25) every portion of them. I just have some general

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(1) questions about them.

(2) A: Okay. I'd still like to read through them.

(3) MR. FRANKEL: Okay. Why don't we go off the
(4) record while he reads through them.

(5) (Recess taken from 2:56 p.m. to 3:04 p.m.)

(6) BY MR. FRANKEL:

(7) Q: We're back on the record.

(8) And your answer to my question, sir, as to
(9) whether you have seen these documents before?

(10) A: Well, I mean, I don't literally recall
(11) having seen them. But, yes, they do look familiar.

(12) Q: And what are they?

(13) A: They're copies of focus group reports issued
(14) to me by whomever the appropriate person was in
(15) marketing research at the time.

(16) Q: In September of 1988 - I'm looking at
(17) Pennell Number 1 here.

(18) A: Uh-huh.

(19) Q: Mr. Bolger was in marketing research?

(20) A: Yes. I believe at that time Mark Bolger was
(21) in marketing research and came on to report to me as
(22) a marketing assistant at a later point.

(23) Q: And, of course, he still held that same
(24) position in October of '88, looking now at Pennell
(25) Number 2?

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(1) A: Yes, I believe that's correct.

(2) Q: On the copy list - I'm looking at Pennell
(3) Number 1.

(4) A: Okay.

(5) Q: Could you just quickly go through those
(6) people and tell me who they are, who they were, and
(7) what their positions were at that time.

(8) A: I'll give it my best shot. E. J. Fackelman
(9) was at that time, I believe, head of the marketing
(10) research department, business information or
(11) marketing development department.

(12) Q: Could you continue through the list.

(13) A: Yes. J. D. Weber, I believe, was over the
(14) brand marketing research group reporting to
(15) Mr. Fackelman.

(16) J. V. Bellis, I believe, was in the
(17) marketing research department and unclear or unsure
(18) as to what capacity he served.

(19) S. L. Snyder, I believe, was the marketing
(20) research manager working on the Camel business that
(21) Mr. Bolger reported to at that time.

(22) H. B. MacFarlane is Hunter MacFarlane, who
(23) at that time was assistant marketing manager on the
(24) Camel brand, as was Mr. M. P. LaBrecque.

(25) Desiree Conte, I believe, was - I know she

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(1) was with McCann Erickson, the advertising agency of
(2) record for Camel at the time. I think she was in
(3) their marketing research department.

(4) And Barry Schweig was with McCann Erickson,
(5) the account supervisor for the Camel business.

(6) Q: And then MRIC, what does that mean? Is that
(7) marketing research information center?

(8) A: Yes. Thank you.

(9) Q: Staying with Pennell Number 1, let me ask
(10) you to turn to the second page of that document,
(11) which bears the Reynolds Bates Stamp Number 50686
(12) 4138.

(13) A: Yes, I have it.

(14) Q: There's a section there titled
(15) "Marketing," and I just want to read one sentence
(16) into the record. It's the second sentence. It
(17) says: (Reading)

(18) Two groups were composed
(19) of men 18-20, two age 21-24,
(20) and one age 25-34 (the purpose
(21) of the one older groups -
(22) [there's a typo there,
(23) groups] - was to serve as a
(24) safety check to make sure the
(25) concept did not skew too

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(1) young).

(2) Do you see that sentence, sir?

(3) A: Yes.

(4) Q: What does the phrase "skew too young" mean,
(5) in the context of that sentence?

(6) A: Well, as I look at this copy - which I
(7) don't know whether it was a final issue or a draft.
(8) But when I look at this copy, it's got some
(9) handwritten things on it, such as "space" down
(10) below.

(11) But what that is appearing to imply to me
(12) is that it's to point out the fact that we chose not
(13) to do groups among just 18 to 20 year olds or 21 to
(14) 24 year olds as a general practice because, if the
(15) 18 to 20 year old group liked it and the 21 to 24
(16) year old group liked it, what we wanted to make sure
(17) was - is that, A, we weren't alienating our older
(18) 25-plus franchise group, and, also, that if we found
(19) out in qualitative research or otherwise that if
(20) something was preferred by 18 to 20 year olds and
(21) not liked by any other age group, in our mind it was
(22) off strategy relative to what we wanted to do and
(23) could, in fact, skew potentially too young.

(24) And since our market was adult smokers
(25) 18-plus and that is the only group that we talked

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(1) to, it was one of the ways that we tried to ensure
(2) and continued to be sensitive to that issue.

(3) Q: Is it your testimony, then, that the phrase
(4) "skew too young" has, at least as part of its
(5) meaning, people under the age of 18 to make sure it
(6) does not influence people under the age of 18?

(7) MR. WILLIAMS: I'm going to object to your
(8) asking him to interpret what this guy meant when he
(9) wrote "skew too young." You can ask him his
(10) understanding but not what he meant here.

(11) MR. FRANKEL: Yes.

(12) BY MR. FRANKEL:

(13) Q: What is your understanding?

(14) A: We did not do research among underage
(15) smokers. We did it among adult smokers 18 years of
(16) age or older. As I just mentioned, though, my
(17) interpretation of what this was speaking to is - is
(18) the two things I just mentioned.

(19) One is that we do not want to alienate our
(20) older franchise, be it 25-plus or 35-plus or what
(21) have you.

(22) And the other one is - is that it was not
(23) consistent with our practice or from a business
(24) standpoint or otherwise if we did stuff that only
(25) appealed to 18 to 20 year olds, as an example, or

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(1) just 18 to 24 year olds, because we needed to reach
(2) a much broader group of that to meet the brand's
(3) objectives from a gross standpoint.

(4) Q: So the phrase "skew too young" has two
(5) meanings then?

(6) MR. WILLIAMS: No, he didn't say it has two
(7) meanings.

(8) THE WITNESS: As I've said now, I mean, I
(9) look at this and say that it is for - those two
(10) reasons are what I interpret out of this comment.
(11) That is my observation of this comment, stated this
(12) way.

(13) BY MR. FRANKEL:

(14) Q: Can you think of any times - let me start
(15) again.

(16) Are you aware of any instances where focus
(17) group results showed that 18 to 20 year old men
(18) liked the executions but 20 to 24 year old men and
(19) 25 to 34 year old men did not like the executions?

(20) A: Yeah. I can't give you specific examples,
(21) but I'm aware of instances where stuff on an initial
(22) and preliminary basis was exposed to 18 to 20 year
(23) olds, 21 to 24, 25 to 34, let's say, adult smokers,
(24) and 18 to 20 year olds tend to like it, and the
(25) other age groups did not. And that was a clear

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(1) signal to us relative to how we conducted our
(2) business and what our objectives were, that we
(3) weren't going to move forward with those ideas.
(4) Those situations existed, yes, absolutely.

(5) Q: And any time those situations occurred, the
(6) executions would not be used?

(7) MR. WILLIAMS: Objection. He's not going to
(8) know that.

(9) THE WITNESS: My experience, which I'm
(10) responding to, is that in those instances, where we
(11) saw something that skewed to an 18 to 20 year old
(12) that liked it but the 21 to 24 year old - which is
(13) one of the reasons we tested in that age breaks -
(14) didn't was that it was inconsistent with the way we
(15) wanted to accomplish our business both relative to
(16) the age aspect of it but also relative to the
(17) business opportunity.

(18) We cannot be successful at accomplishing our
(19) objectives on the brand by just being successful
(20) among 18 to 20 year olds in the marketplace. It
(21) couldn't happen.

(22) BY MR. FRANKEL:

(23) Q: What would Reynolds do in situations where
(24) the execution was liked by the 18 to 20 year olds
(25) and the 21 to 24 year olds and the 25 to 34 year

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(1) olds but was also liked by people under the age of
(2) 18?

(3) MR. WILLIAMS: I'm going to object. There
(4) is no - that lacks any foundation. There is no
(5) evidence that I have heard in any of these
(6) depositions that said focus groups had somebody
(7) under the age of 18.

(8) MR. FRANKEL: And the objection then, is
(9) what?

(10) MR. WILLIAMS: Lack of foundation.

(11) Mr. Frankel.

(12) MR. FRANKEL: You can go ahead and answer.

(13) THE WITNESS: Yeah. I have no answer to
(14) that. I cannot answer that, because we didn't test
(15) any of these ideas or anything that we did that I'm
(16) aware of against anyone under the age of 18 that
(17) were smokers. Eighteen years of age and older was
(18) our universe and our requirements. And that was our
(19) company policy and our practice.

(20) Those that were relevant and appealing
(21) ideas, that were relevant and appealing to 18-plus
(22) adult smokers were deemed - and deemed to be
(23) acceptable opportunities among that group moved
(24) forward.

(25) MR. WILLIAMS: Can we take a couple of

(1) minutes? Is that all right?

(2) MR. FRANKEL: Sure. What do you need?

(3) MR. WILLIAMS: Just two or three minutes.

(4) MR. FRANKEL: Okay.

(5) MR. WILLIAMS: Thanks.

(6) MR. FRANKEL: Let's go off the record.

(7) (Recess taken from 3:15 p.m. to 3:19 p.m.)

(8) MR. FRANKEL: Okay. We're back on the
(9) record.

(10) BY MR. FRANKEL:

(11) Q: Mr. Pennell, did any Camel focus group
(12) executions appeal to people under the age of 18?

(13) A: I don't know whether they did or they
(14) didn't, because we never conducted any research on
(15) anybody under the age of 18. And unless they were a
(16) smoker 18 age years of age or older.

(17) MR. WILLIAMS: Listen to his question. His
(18) question was any Camel focus groups, which assumes
(19) that there were people under 18 in that focus group.

(20) And I object to the loaded up question.

(21) You're trying to get him to say - I don't
(22) know why; there's no proof on this - they did
(23) market research on people under 18.

(24) MR. FRANKEL: Let me state definitively that
(25) you have - Mr. Williams, you have misinterpreted my

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(1) question. I was not asking about whether there have
(2) been attendee respondents at that age.

(3) MR. WILLIAMS: You said did any of the focus
(4) groups appeal to people under 18.

(5) BY MR. FRANKEL:

(6) Q: Did any Camel focus group executions appeal
(7) to people under the age of 18?

(8) MR. WILLIAMS: That implies that there was a
(9) person under 18 at the Camel focus group looking at
(10) the execution. I don't know how else you interpret
(11) that.

(12) BY MR. FRANKEL:

(13) Q: Is that how you interpret my question, sir?

(14) A: To me, it doesn't matter whether it was
(15) focus groups or anything else we did. I have no way
(16) of telling you whether the stuff we did appeals to
(17) anybody under the age of 18, because we never
(18) conducted any research or talked to anybody under
(19) the age of 18 and who wasn't a smoker.

(20) Q: So let me ask the question more broadly:
(21) Did any Camel advertising appeal to people under the
(22) age of 18? Same answer?

(23) A: Yeah, same answer. We did not conduct
(24) research or market our products to folks -
(25) individuals under the age of 18.

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(1) Q: Why is that?
(2) A: Because that was our company policy and
(3) practice and - at that time, that we market our
(4) products to individuals 18 years of age and older.
(5) And, therefore, we conducted research only among
(6) that age group that we had as our defined
(7) opportunity and market.
(8) Q: Directing your attention now to Pennell
(9) Number 2, is there any way you can tell from looking
(10) at this document as to whether it was a final
(11) marketing research report or a draft?
(12) (Witness reviews document.)
(13) A: No. In looking at this, I can't say it's
(14) one or the other.
(15) Q: Turning now to Pennell Number 3 - that's
(16) the August 2nd, 1989, marketing research report - I
(17) note that copies were also sent to D. H. Murphy. Do
(18) you see that name?
(19) A: Yes.
(20) Q: Who is D. H. Murphy?
(21) A: D. H. Murphy was in the marketing research
(22) department. And I'm not sure as to what capacity at
(23) this point and stage in 1989 - on August 2nd, 1989.
(24) Q: And what about G. G. Strauss?
(25) U.S.S.

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(1) A: G.G. Strauss, I believe had just recently
(2) come on to the Camel business as an assistant - a
(3) marketing assistant.
(4) Q: So earlier in the deposition, when I asked
(5) you for names of people who you supervised, would
(6) this be such a person that you added to that list of
(7) people that you supervised when you were on Camel?
(8) A: That would be correct, yes.
(9) Q: But not Mr. Murphy?
(10) A: No.
(11) Q: Now, staying with Pennell Number 3, again
(12) let me direct your attention to the second page, the
(13) methodology, first - there are two paragraphs under
(14) "Methodology." First paragraph, second sentence,
(15) which I want to read into the record, states as
(16) follows: (Reading)
(17) The groups were among
(18) target male Marlboro N -
(19) MR. WILLIAMS: I'm sorry. Which exhibit?
(20) THE WITNESS: Three.
(21) MR. FRANKEL: Let me start again:
(22) (Reading)
(23) The groups were among
(24) target male Marlboro NM
(25) smokers with two among 18-20

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(1) year-olds, two among 21-24
(2) year olds, and one among 25-34
(3) year olds.
(4) BY MR. FRANKEL:
(5) Q: Do you see that sentence, sir?
(6) A: Yes.
(7) Q: What does "NM" mean?
(8) A: I believe that's target male Marlboro
(9) non-menthol smokers, would be my interpretation of
(10) what they're saying here.
(11) Q: I noticed in looking through these reports
(12) that the parenthetical that I read in Pennell
(13) Number 1 is not in the methodology section of
(14) Pennell Number 3. Do you also - well, do you agree
(15) with that?
(16) A: Yes, it's not there.
(17) Q: Do you know why it's not there?
(18) A: No, I - I have not idea why it's in one and
(19) not in the other. Different people have written and
(20) issued these two different documents or drafts, or
(21) whatever states they're in, at different points in
(22) time. But - I can provide no input as to why it's
(23) in one and not the other.
(24) Q: We're done with those exhibits. If I can
(25) have them back, please.

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(1) (Documents handed to counsel.)
(2) Thank you.
(3) A: Uh-huh.
(4) MR. WILLIAMS: Were there any questions
(5) on 2?
(6) MR. FRANKEL: Well, I had asked earlier if
(7) he had ever seen these documents before. So other
(8) than that, I don't think I -
(9) MR. WILLIAMS: You didn't ask any specific
(10) questions on 2, just for the record.
(11) MR. FRANKEL: Right.
(12) MS. SAMUELS: You asked if it was a draft or
(13) a final.
(14) MR. FRANKEL: Yes, that's right.
(15) MR. WILLIAMS: Oh, if it was a draft.
(16) MR. FRANKEL: Thank you.
(17) BY MR. FRANKEL:
(18) Q: With respect to Joe Camel focus groups, were
(19) focus group respondents asked whether executions
(20) shown to them would appeal to people under the age
(21) of 18?
(22) A: I think, as a general rule, my personal
(23) observations were that it was asked who does - to
(24) each of the groups - who does this - would this
(25) appeal to, people like yourselves, older than you,

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(1) younger than you, or what have you. I don't know
(2) whether it was that specific. But, yes, a general
(3) question. And focus groups where materials were
(4) shown, based on my observations, was asked who
(5) does - this ad or this program or what have you,
(6) would it appeal to.

(7) Q: Were they asked a specific question, Would
(8) it appeal to someone younger than you?

(9) A: I can't - couldn't characterize if that
(10) was always said or even generally said. I think
(11) that what was generally done - and it may have
(12) varied with the moderator who was doing the groups
(13) or what have you. But I think, as a general rule,
(14) it started with: Overall, who does it appeal to?

(15) Q: Can you think of an instance where a focus
(16) group with respect to Joe Camel executions was ever
(17) asked whether it would appeal to people younger than
(18) the respondents in that focus group?

(19) A: I don't recall whether it was asked
(20) that specifically.

(21) Q: And can you recall generally any other way
(22) that that information might be elicited other than
(23) asking the general question, Who would this appeal
(24) to?

(25) MR. WILLIAMS: Other than what he's

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(1) testified to.

(2) MR. FRANKEL: Other than what I just said -
(3) other than - I'm not trying to recharacterize.

(4) MR. WILLIAMS: I understand. But he already
(5) went through some sort of safeguard. Now are you
(6) asking him in addition to that?

(7) MR. FRANKEL: No.

(8) THE WITNESS: I'll respond the best way I
(9) can, this way. If - in the course of asking who
(10) this ad appeals to for a specific execution, if the
(11) consensus among the respondents there was - is that
(12) it's for people younger than me, and that was the
(13) case for this - all the way down the line,
(14) including 18 to 20 year olds - then I think if
(15) everyone felt that it was young, then that would be,
(16) as I stated earlier, an indication, from my
(17) standpoint, that what we had here was something that
(18) is not on strategy with what we were trying to
(19) accomplish from a brand business objective
(20) standpoint.

(21) BY MR. FRANKEL:

(22) Q: And what I'm trying to understand is: How
(23) was the information elicited from the respondents as
(24) to whether the executions might appeal to people
(25) younger than them or younger than age 18?

(1) A: And I've responded as best as I can to that
(2) question, which is that there was - as a general
(3) practice, of my observations - was who do these ads
(4) appeal to and why that was done.

(5) How that was specifically done varied. And
(6) there's no - I don't have a specific - I can't
(7) give you a specific this is the way that was asked
(8) in every instance or what have you, even within my
(9) own observation and experience.

(10) Q: You've alluded a few times during this
(11) deposition to a change that occurred in the
(12) marketing of Reynolds' products in 1992 to the age
(13) demographics. Am I correct?

(14) A: That's correct, yes.

(15) Q: And at that time, the - the low-end range
(16) for marketing purposes was raised from 18 to 21; is
(17) that correct?

(18) A: Yes, that's correct. And sometime - some
(19) point in 1992, I believe it was - and I don't
(20) recall exactly when in 1992 - we changed the age
(21) group that we would market or - our products
(22) against to 21 years of age adult smokers versus the
(23) 18 that had been previous to that.

(24) Q: Who made that decision to make that change?

(25) A: That decision was issued by Jim Schroer. I

(1) mean, he is the one who sent the memo out to sales
(2) and marketing.

(3) Q: And why was that decision made?

(4) A: It is my understanding that that decision
(5) was made, A, to align all of our program
(6) requirements to be the same. We had some programs
(7) that we already had 21 years requirements to
(8) participate. And also to provide a buffer because
(9) of the pressure we were being given relative to -
(10) and accusations relative to youth marketing. And
(11) that put a buffer between what is the legal age to
(12) buy cigarettes versus that that we then marketed to.

(13) Q: Prior to this marketing policy change,
(14) increasing the age to 21, did Reynolds sometimes
(15) emphasize 18 to 20 year olds in its marketing
(16) activities?

(17) A: How would you define "emphasize"?

(18) Q: I'm not trying to be facetious. I'm really
(19) not. But to place an emphasis onto - I'm trying to
(20) come up with other words.

(21) A: From a research standpoint? From a program
(22) development - I mean, I'm just trying to
(23) understand.

(24) Q: In marketing to smokers, did Reynolds
(25) sometimes emphasize 18 to 20 year olds prior to this

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(1) change in 1992?

(2) MR. WILLIAMS: I think his question is - is
(3) on emphasize.

(4) MR. FRANKEL: Yeah. And that's a hard word
(5) to define. And it seems like it's a fairly common
(6) word. And I'm not trying to - what's the problem
(7) you have with emphasize?

(8) THE WITNESS: Well, I look at emphasize and
(9) see that as being not specific enough to whether or
(10) not it's actually marketing the product, whether
(11) it's research specific, et cetera.

(12) Was there research that was conducted among
(13) 18 to 20 year olds? Yes. Was there program
(14) development that was done against 18 to 20 year olds
(15) and then 21 to 24 year olds, et cetera? Yes.

(16) But I go back to a point that I made
(17) earlier. I would hesitate to use the word
(18) "emphasis" because if we tried to - put emphasis
(19) against 18 - marketing our products in a tremendous
(20) way against just 18 to 20 year olds, then we would
(21) not meet the business objectives of the brand,
(22) because the number of smokers that are there
(23) combined with how few of those we had versus our
(24) major competitor, would have made that very
(25) independent.

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(1) BY MR. FRANKEL:

(2) Q: What if Reynolds emphasized 18 to 20 year
(3) olds. Start again.

(4) What if an execution had as its emphasis 18
(5) to 20 year olds but also had an appeal to 21 to 24
(6) year olds, 25 year olds to 34 year olds?

(7) MR. WILLIAMS: Let me object. It's vague.
(8) It's speculative, hypothetical.

(9) THE WITNESS: If - if an execution - a
(10) single execution was developed against an 18 to 20
(11) year old as a - as the objective of it, or the
(12) emphasis against that, to use that word, and found
(13) to be relevant and appealing to 18 to 20 year olds,
(14) plus 21 to 24 year olds, plus 25-plus or 25 to 34
(15) year olds or what have you, then the fact that it
(16) may or may not have started in that instance, you
(17) know, that we're using a hypothetical instance that
(18) it started out being developed against an 18 to 20
(19) year old if that's possible, then, yeah, we would
(20) consider that a relevant ad to run, that if it had
(21) that level of appeal.

(22) BY MR. FRANKEL:
(23) Q: Considering now executions that had appeal
(24) both to the 18 to 20 year old and the 21 to 24 year
(25) olds and the 21 to 24 year olds and the 24 - excuse

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(1) me - 25 to 34 year olds, those three groups, did
(2) Reynolds ever attempt to keep certain print
(3) advertisements out of certain states?

(4) MR. WILLIAMS: I'm going to object.

(5) THE WITNESS: I'm not following you at all.

(6) MR. FRANKEL: Okay. Let's try it again.

(7) BY MR. FRANKEL:

(8) Q: Let me start with the very general but
(9) easy - I think easy question: Did Reynolds ever
(10) try and keep certain print ads out of particular
(11) states?

(12) MR. WILLIAMS: For any reason?

(13) MR. FRANKEL: For any reason. Out of
(14) particular states, you know, the boarder of a state,
(15) whether it be North Carolina, Alabama, Utah, North
(16) Dakota, or any other state.

(17) THE WITNESS: Not that I can recall.

(18) BY MR. FRANKEL:

(19) Q: And this - your answer would be the same
(20) for Joe Camel print ads; is that correct?

(21) A: Yeah. I don't recall us not running
(22) something in specific states. I just don't recall
(23) that.

(24) Q: So, for example, a Joe Camel print ad run in
(25) Mississippi might very well also be run in Alabama?

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(1) MR. WILLIAMS: You mean newspaper or
(2) magazine?

(3) MR. FRANKEL: Either one. Print ad.

(4) MR. WILLIAMS: Because it's different, as we
(5) learned with Mr. Iauco.

(6) THE WITNESS: Well, I mean, as a general
(7) rule of print, unless it's ROP - newspaper, is
(8) bought on a national basis and is much more
(9) efficiently bought that way - it's tough for them
(10) not to do individual cutovers, et cetera. So, I
(11) mean, as a general rule, yes.

(12) ROP is generally bought - yeah, it can be
(13) bought nationally but is more commonly - at least
(14) my experience has been, as a marketer with this
(15) company - on a more regional opportunistic buy
(16) basis, that it's determined based on what business
(17) goals and objectives there are versus I'm going to
(18) avoid this place or avoid that, which is kind of
(19) where this started, I think.

(20) BY MR. FRANKEL:

(21) Q: You used the acronym ROP. What does that
(22) mean?

(23) A: Run of press.

(24) Q: And that applies to what?

(25) A: Newspapers.

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(1) Q: Not to magazines but to newspapers?
(2) A: Correct.
(3) Q: And there are some newspapers that go across
(4) state borders; is that correct?
(5) MR. WILLIAMS: Yes.
(6) THE WITNESS: Sure.
(7) MR. WILLIAMS: Do you really need this
(8) witness, to ask him that question?
(9) BY MR. FRANKEL:
(10) Q: Why did Reynolds distinguish between 18 to
(11) 20 year old smokers versus 21 to 24 year old
(12) smokers?
(13) MR. WILLIAMS: Can you give him some
(14) context? Are we still talking about focus groups?
(15) And then you went on to ROE.
(16) BY MR. FRANKEL:
(17) Q: Do you understand the question, sir?
(18) A: I mean, are we talking as a general practice
(19) or Camel specific or -
(20) Q: No, I'm talking as a general practice.
(21) A: Well, as a general practice, I don't think
(22) all brands and all marketing initiatives at our
(23) company has - has specified 18 to 20s versus 21 to
(24) 24s, or even 18 to 24s for that matter versus
(25) 25-plus. So, I mean, it would be very difficult for

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(1) me to respond to that on a broad basis.
(2) Q: So there are some brands that do draw
(3) distinction though, between 18 to 20 year olds
(4) versus 21 to 24 year olds; is that correct?
(5) A: Well, the Camel brand conducted research and
(6) broke the learning of that research into 18 to 20
(7) year olds versus 21 to 24 year olds, versus 25 to
(8) 34. Sometimes looked at it as a full group. Other
(9) times broke it out separately. Yes.
(10) Q: Any other brands?
(11) A: Not that I can recall specifically.
(12) Q: What about Magna?
(13) A: In the time that I had that brand, we did
(14) not look at it 18 to 20 year olds versus - that I
(15) can recall.
(16) Q: Can you think of any time where Magna did do
(17) that?
(18) A: No. I mean, I'm not familiar with how they
(19) broke it out before I picked up the brand.
(20) Q: For the period that Camel did distinguish
(21) between 18 and 20 year olds versus 21 to 24 year
(22) olds, why was that distinction drawn?
(23) A: During the period that I was involved with
(24) the brand, it provided learning to us relative to -
(25) if you had just talked to 18 to 24 year olds and got

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(1) a thumbs up or thumbs down in terms of whether they
(2) liked something as a group, then you weren't able to
(3) get a feel for whether or not that was the 18 to 20
(4) that had a big appeal and no appeal whatsoever from
(5) another - you know, the 25 to - you know, 34, as
(6) an example.
(7) Q: And why was that important to know 18 to 20
(8) versus 21 to 24?
(9) A: I think from our standpoint, at least as I
(10) look at it, we were - if we wanted to improve the
(11) performance of our business among the 18 to 24 year
(12) old group in general and pick up some of the
(13) business from Marlboro, in particular that had kind
(14) of the wraps on that adult age group, that if you're
(15) wanting to get the learning relative to what is
(16) relevant and appealing to that age group, then you
(17) break it into subsegments in order to better
(18) understand what the input you're getting is.
(19) Q: Was there any desire on the part of Reynolds
(20) to use the 18 to 20 year old learning, to use your
(21) word, as a proxy for people under the age of 18?
(22) MR. WILLIAMS: I'm sorry. Please stop. May
(23) I have the question back.
(24) (Previous question read by reporter.)
(25) THE WITNESS: Well, the answer to that is

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(1) no. We didn't market to anyone under the age of 18
(2) years of age. And, no, we weren't looking to use
(3) that - and I think in your word - as a proxy
(4) relative to what was going on. It was not our
(5) company's policy, and it was not our practice
(6) certainly during the time that I was on Camel, or
(7) any other brand, for that matter.
(8) MR. FRANKEL: Let's mark this as Pennell
(9) Number 4.
(10) (Pennell Deposition Exhibit Number 4 was
(11) marked for identification.)
(12) MR. FRANKEL: Pennell Number 4 is also
(13) CX-295, and it's a May 28 - I believe is the
(14) date - 1992 memorandum from James C. Schroer to a
(15) distribution list. One of the names on the
(16) distribution list is G. C. Pennell.
(17) BY MR. FRANKEL:
(18) Q: Mr. Pennell, have you ever seen this
(19) document before?
(20) A: Yes, I have.
(21) Q: What is this document?
(22) A: Without reading through it fully, it is the
(23) document - it appears to be the document that I
(24) referenced earlier relative to our policy change, as
(25) a company, from marketing our products to 18-plus to

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(1) moving to marketing it to those that were 21 years
(2) of age or older.
(3) Q: I'm looking at the first page of this
(4) document, the last paragraph. The first sentence
(5) says: (Reading)
(6) None of our competitors
(7) in their public statements
(8) admit that they advertise or
(9) promote their products to
(10) anyone under 21.
(11) Then it goes on: (Reading)
(12) The fact that our public
(13) statements on this issue
(14) differ from our competitors'
(15) and on the surface might
(16) appear inconsistent with
(17) elements of the Cigarette
(18) Advertising and Promotion
(19) Code, has not gone unnoticed
(20) by our adversaries.
(21) Do you see those two sentences, sir?
(22) A: I do.
(23) Q: Did Reynolds have a lower age limit for its
(24) marketing than its competitors had prior to this
(25) memorandum?

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(1) A: I don't know the answer to that.
(2) Q: Who would know at Reynolds? Who would be
(3) the best person to ask that question?
(4) MR. WILLIAMS: Well, you've asked about
(5) Reynolds' competitors' practices. I think it's fair
(6) to ask Reynolds what their practices were. You can
(7) go find the competitor's practice from the
(8) competitors. There may not be anybody who knows
(9) what the competitor's practice is.
(10) THE WITNESS: I wouldn't know where to send
(11) you internally to know what a competitor's practice
(12) as a general carte blanche rule was. I mean ...
(13) BY MR. FRANKEL:
(14) Q: Are you familiar with the Cigarette
(15) Advertising and Promotion Code?
(16) A: Yes, I am.
(17) Q: Is that a code that Reynolds has always
(18) followed?
(19) A: That's correct.
(20) Q: Did Reynolds participate in the creation of
(21) that code?
(22) A: I don't know the answer to that.
(23) Q: Let me direct your attention to the second
(24) page of Pennell Number 4. There's a list of six
(25) items, numbered items, with the heading - the

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(1) leading sentence saying: (Reading)
(2) Since all of our direct
(3) marketing, sampling and most
(4) of our promotional activities
(5) are already limited to 21 and
(6) above, what this means, as a
(7) practical matter, is the
(8) following.
(9) And I'd like to direct your attention to
(10) Number 5, which says: (Reading)
(11) Our internal advertising
(12) review panel should be advised
(13) of this policy immediately and
(14) instructed to factor it into
(15) its work.
(16) Do you see that?
(17) A: Yes, I do.
(18) Q: Do you know how that panel factored this new
(19) policy into its work, what it did?
(20) A: No. I was not over that panel.
(21) Q: Can you describe what the internal
(22) advertising review panel was - or is?
(23) A: Yes. The internal advertising review panel
(24) is - consists of non-marketing employees with the
(25) company - within the company who -

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(1) MR. WILLIAMS: Did you say nine or non?
(2) THE WITNESS: Non-marketing.
(3) MR. WILLIAMS: Thank you.
(4) THE WITNESS: Sorry.
(5) Employees from the company who represent
(6) different demographic groups, both in terms of age
(7) and race, male and female. Those that are - some
(8) that are parents. And they meet on a routine basis,
(9) and one of the requirements is, is that all
(10) advertising and promotion materials are reviewed
(11) with them as one of our many internal policies we go
(12) through between development and implementation of
(13) our programs.
(14) BY MR. FRANKEL:
(15) Q: How long, to your knowledge, has that
(16) advertising review panel been in existence?
(17) A: Several years.
(18) Q: When you started with Camel in marketing,
(19) was that advertising review panel in existence?
(20) A: I don't believe this specific review panel
(21) was. I believe it was put in place while I was on
(22) Camel.
(23) Q: While you were brand manager or senior brand
(24) manager?
(25) A: Sometime as - not as an assistant but brand

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(1) manager through senior brand manager.
(2) Q: Do you know between those two positions
(3) when -
(4) A: I don't know specifically when, what point
(5) in time.
(6) Q: Were there any members of the internal
(7) advertising review panel who have ever served on
(8) that panel under the age of 18?
(9) A: I wouldn't think so, but I don't know the
(10) answer to that question.
(11) Q: Was one of the factors the internal
(12) advertising review panel was to consider whether the
(13) advertising might appeal to people under the age of
(14) 18?
(15) MR. WILLIAMS: I think you started to say it
(16) was one of the factors. Did you mean to say that?
(17) It was one of the purposes.
(18) MR. FRANKEL: One of the factors they
(19) considered.
(20) MR. WILLIAMS: All right. That's fine. Is
(21) the question, did they consider whether it would
(22) appeal to underage smokers?
(23) MR. FRANKEL: That's right.
(24) MR. WILLIAMS: Have at it, Cliff.
(25) THE WITNESS: Yeah, I think that was one of

(1) used appeal to underage smokers as a basis for
(2) rejecting any Joe Camel ads.
(3) A: I can't recall specifically the answers that
(4) they gave or what have you to it. They could reject
(5) something and it not run based on their input. They
(6) were asked to provide input to the individual who
(7) was there relative to why they felt that way.
(8) But this was a non-marketing group that
(9) looked at it based on those - you know, their
(10) criteria and provided their input.
(11) Q: Prior to this internal advertising review
(12) panel, was there another or a different advertising
(13) review panel?
(14) A: Not like this one specifically, but there
(15) were various steps and processes that had to be -
(16) every ad or program had to go through within the
(17) company. Yes, several steps.
(18) Q: Was there ever an external advertising
(19) review panel?
(20) MR. WILLIAMS: The FTC.
(21) THE WITNESS: External in what regard?
(22) MR. FRANKEL: People who consulted for
(23) Reynolds, whether paid or unpaid.
(24) THE WITNESS: Not that I'm aware of, as a
(25) process, no.

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(1) several factors.
(2) BY MR. FRANKEL:
(3) Q: Do you know whether any of the Camel ads
(4) were ever rejected by the internal advertising
(5) review panel because it might appeal to people under
(6) the age of 18?
(7) MR. WILLIAMS: This question is by this
(8) particular panel, Cliff.
(9) THE WITNESS: Right.
(10) MR. WILLIAMS: Okay.
(11) THE WITNESS: I don't - I don't recall
(12) whether any were specifically rejected. I do recall
(13) that there was input that was provided relative to
(14) the things that they would like to see done
(15) differently or changed, perhaps, about an execution
(16) that bothered them. And that would lead us back to
(17) go back and make those changes and bring it right
(18) through the process and back to that review panel.
(19) BY MR. FRANKEL:
(20) Q: Did the internal advertising review panel -
(21) and does that panel - have the authority to say
(22) that ad will not run?
(23) A: Yes.
(24) Q: And I listened to your last answer, but I
(25) wasn't quite sure I understood whether they ever

(1) BY MR. FRANKEL:
(2) Q: This internal advertising review panel is
(3) still in existence; is that correct?
(4) A: As far as I know it is, yes.
(5) Q: I've noticed a couple of times you've used
(6) the phrase "this particular panel." What other
(7) panels are there that review advertising?
(8) A: Well, there are processes that we have that
(9) we go through.
(10) Q: I guess, if you could, please, run through
(11) those processes quickly. I don't mean to impose
(12) time limits on you. It doesn't have to be quickly.
(13) A: You know, in terms of I may not have them in
(14) a specific order or what have you, but there's the
(15) internal brand process, that once the agency brings
(16) it here, generally it goes through their own process
(17) of review. It's then brought to the brand.
(18) There would be the brand business unit,
(19) various individuals input, be it their legal
(20) representative, their public relations
(21) representative. So it has to go through external
(22) relations, public relations, legal, production, as
(23) well as the brand business unit head.
(24) Q: Can you think of any other review for
(25) advertising and marketing and promotion at Reynolds?

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(1) A: That's all that come to mind now, but that's
(2) a lot and probably more than most companies go
(3) through.
(4) Q: Has this internal advertising review panel
(5) that's described in Pennell Number 4 always had veto
(6) power over ads, like promotions and marketing?
(7) A: As far as I'm - my understanding is on it,
(8) yes.
(9) Q: Did they also consider things like
(10) utilitarian items? Do you understand what I mean
(11) when I say -
(12) A: I'd like you to clarify that.
(13) Q: Have you ever heard that phrase before,
(14) "utilitarian items"?
(15) A: Not perhaps used that way.
(16) Q: In your experience at Reynolds - well,
(17) let's -
(18) MR. WILLIAMS: How about a shaker or salt
(19) and pepper shaker? Does that help?
(20) BY MR. FRANKEL:
(21) Q: Or a T-shirt or a cap or snap flops or -
(22) I'm giving you examples here.
(23) A: Promotional items.
(24) Q: Promotional items. That's what you call it?
(25) Okay. Does the internal advertising review panel

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(1) consider promotional items as well.
(2) A: I don't know the specific answer to that,
(3) but I - I don't know.
(4) Q: Is there an executive at Reynolds who is
(5) responsible for the internal advertising review
(6) panel?
(7) A: I would suspect there is, but there has been
(8) such an attempt to distance that from marketing,
(9) getting - being involved or having an influence
(10) relative to that panel, that I don't know the answer
(11) to who oversees that. At one time it was done
(12) through the legal department's oversight. Perhaps
(13) now it's probably done through the external
(14) relations department. But I don't know the answer.
(15) Q: Now let me direct your attention in Pennell
(16) Number 4, page 2, Item Number 6. And that item
(17) states: (Reading)
(18) While our policy already
(19) prohibits our advertising in
(20) publications directed
(21) primarily to those under 21, I
(22) would suggest that we also
(23) take this opportunity to
(24) review our media list.
(25) And the word "primarily" is underlined.

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(1) Do you see that statement?
(2) A: Yes, I do.
(3) Q: Were any of the publications that Reynolds
(4) advertised in changed because of this change in
(5) policy, to your knowledge?
(6) A: I don't recall.
(7) Q: Okay. We're done with this document, sir.
(8) (Recess taken from 4:02 p.m. to 4:13 p.m.)
(9) MR. FRANKEL: We're back on the record.
(10) BY MR. FRANKEL:
(11) Q: Mr. Pennell, referring again to the internal
(12) advertising review panel, were there any child
(13) psychologists on that panel, or have there ever
(14) been?
(15) A: I have no idea.
(16) Q: Any experts with respect to children?
(17) A: I have no idea.
(18) MR. WILLIAMS: Well, he said parents.
(19) BY MR. FRANKEL:
(20) Q: Are they paid any moneys in addition to
(21) their regular salaries, to serve on this panel?
(22) A: I don't know the answer to that.
(23) Q: And how are they chosen?
(24) A: I don't know the answer to that. This is,
(25) as I mentioned earlier, something that's done

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(1) totally separated from the marketing department and
(2) independent of the marketing department of which I
(3) am a member or employee of.
(4) MR. FRANKEL: I would like to have this
(5) marked as Pennell Exhibit 5.
(6) (Pennell Deposition Exhibit number 5 was
(7) marked for identification.)
(8) BY MR. FRANKEL:
(9) Q: Mr. Pennell, have you ever seen Exhibit 5
(10) before?
(11) And for the record, let me say this is also
(12) CX-302, "Camel Brand Review," 7/89 being the date.
(13) It bears the Bates stamp number on the first page
(14) 50724 5140, and it goes through 5163.
(15) (Witness reviews document.)
(16) BY MR. FRANKEL:
(17) Q: Mr. Pennell, I'm just going to ask you a
(18) couple of questions about one page, but - so my -
(19) at this point I'm just asking if you've ever seen
(20) this document before.
(21) A: I don't recall whether I have or I haven't.
(22) Given the time frame of the document, et cetera, it
(23) is possible that I have. But I don't - I can't
(24) look at this and look at something that's nine years
(25) ago and say that I specifically remember this

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(1) document.
(2) Q: Are you familiar with documents generally
(3) known as Camel Brand Review during the period that
(4) you were the brand manager or senior brand manager
(5) or assistant brand manager for the Camel brand?
(6) A: We did brand reviews, yes.
(7) Q: Is this document consistent with the brand
(8) reviews that you did?
(9) MR. WILLIAMS: Do you mean is this - does
(10) this contain similar information - when you say
(11) consistent, I have no idea what you mean. Are the
(12) conclusions the same?
(13) BY MR. FRANKEL:
(14) Q: Can you answer the question, sir?
(15) MR. WILLIAMS: No, no, no. Please rephrase.
(16) BY MR. FRANKEL:
(17) Q: Can you answer -
(18) MR. WILLIAMS: Object to the use of the word
(19) "consistent." Vague.
(20) BY MR. FRANKEL:
(21) Q: Can you answer the question?
(22) A: Camel brand reviews were done when I was on
(23) the brand. This is a format that would not be out
(24) of the ordinary for how some brand reviews were
(25) done.

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(1) Q: Do you know who prepared this document?
(2) A: Looking at this document, I can't tell you
(3) who prepared it, no.
(4) Q: Did Camel brand reviews typically contain
(5) the names of the people on them who prepared them?
(6) A: Not necessarily.
(7) Q: Were Camel brand reviews prepared by the
(8) brand unit or by marketing research?
(9) A: It would have been a joint effort. The
(10) information from a performance standpoint,
(11) et cetera, would be generated by the marketing
(12) research folks. But the brand reviews themselves,
(13) such as the one represents, would be pulled
(14) together by somebody in the brand.
(15) Q: Who is the person in the brand that would be
(16) most responsible for the preparation of the Camel
(17) brand review?
(18) A: The person that - as a general rule, that
(19) would be ultimately accountable for it at the time I
(20) had the brand, who would have been ultimately
(21) accountable for it would have been me.
(22) Q: And did you have the brand in July 1989?
(23) A: Yes, I did.
(24) Q: Let me refer you to the Reynolds - the page
(25) with the Reynolds Bates Stamp Number 50724 5152.

(1) A: 5152?
(2) Q: Correct. The heading - the Roman numeral
(3) heading there is Roman Numeral Number 3, 1990
(4) Marketing Plan Summary. Do you see that?
(5) A: Yes.
(6) Q: And then under the letter C, "Key
(7) Strategies," the following sentence appears. It
(8) says: (Reading)
(9) Single-minded focus
(10) against younger adult smokers
(11) 18-24, with emphasis against
(12) males 18-20.
(13) Do you see that?
(14) A: Yes, I do.
(15) Q: The reference to 18 to 24, does that refer
(16) both to males and females or just to males?
(17) A: Well, it doesn't - it doesn't - what is
(18) typed here specify one or the other. There's a
(19) handwritten note above it that says males/females.
(20) So, I mean, this doesn't specify for the 18
(21) to 24 year old group, the typed text, whether it is
(22) one or the other or both. My interpretation would
(23) be that it is - would be both because it doesn't
(24) specify one or the other.
(25) Q: Do you recognize that handwriting that you

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(1) just referred to, the "males/females"?
(2) A: Not specifically.
(3) Q: Generally do you recognize it?
(4) A: Well, I mean - or generally. I don't know
(5) whose it is.
(6) Q: In July of 1989, was the Camel brand's
(7) single-minded focus against younger adult smokers 18
(8) to 24 with an emphasis against males 18 to 20? Is
(9) that an accurate statement?
(10) A: Yeah. I think as a share of smoker
(11) strategy, that would be an accurate statement, yes.
(12) Q: You may recall earlier this afternoon we had
(13) a brief discussion about the meaning of the word
(14) "emphasis."
(15) A: Right.
(16) Q: And I notice that the word is used here.
(17) A: Correct.
(18) Q: Does this help you at all with the meaning
(19) of the word, the fact that it's here, used in the
(20) Reynolds document?
(21) A: Well, I mean, I see that it is - it is
(22) being used here. And I think what is being spoken
(23) to here as is one of the key strategies and specific
(24) to share of smoker objectives, that the focus is
(25) against younger adult smokers 18 to 24 with emphasis

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(1) against males 18 to 20.

(2) Q: What's the difference between share of
(3) smoker strategy and the target market?

(4) A: Well, the target market, as I would
(5) characterize it, share of smoker, which would be the
(6) demographic - age demographic portion of that,
(7) would be one element of it. As I characterize
(8) target market, there was the demographic, the
(9) geographic, and the psychographic aspect of target
(10) marketing. This would speak to one aspect of the
(11) demographic market - age, in terms of share of
(12) smoker.

(13) Q: Looking at this document, what was Camel's
(14) target market in July of 1989?

(15) (Witness reviews document.)

(16) A: I need to look back through the entire
(17) document because we were focusing on just one aspect
(18) of it there. So let me take a minute and do that.

(19) Q: Okay. Let me withdraw that question and ask
(20) you a different question.

(21) Thinking back to July of 1989, what was
(22) Camel's target market? You may or may not refer to
(23) the document, if that will help you.

(24) A: Well, I mean, you're asking me to go way
(25) back in terms of trying to remember what the exact

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(1) target market was. But there was a demographic
(2) target, which was 18 to 24 year olds. There was a
(3) psychographic target which I just don't recall
(4) the specifics, but there would have been, you know,
(5) specific descriptors in terms of who, from a mindset
(6) standpoint, those adult smokers were. And there
(7) would have been a geographic target that would have
(8) perhaps been, as I recall it, national with specific
(9) market emphasis.

(10) Q: And when you just told me the demographic
(11) market you only mentioned 18 to 24. You didn't say
(12) anything about an emphasis on 18 to 20. Is that an
(13) oversight or is it something -

(14) A: No. You asked me to recall it as I remember
(15) it without referring to this document, and that's
(16) how I chose to do it.

(17) Q: Okay. Now, hearing me mention the emphasis
(18) on 18 to 20, does that refresh your recollection as
(19) to whether there was, in fact, an emphasis on 18 to
(20) 20 year olds in Camel's target market in July of
(21) 1989?

(22) A: I'm not disputing that there - that there
(23) was an emphasis or not. I'm just telling you that I
(24) do not recall there being a specific emphasis
(25) against 18 to 20 year olds. But I'm not disputing

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(1) that there was.

(2) It would not have been necessarily out of
(3) character for it to have been - had an emphasis
(4) against - of the 18 to 24, to have an emphasis
(5) against the 18 to 20 year old, because we were
(6) marketing our products against 18-plus adult smokers
(7) at the time. And the area, as I recall it, that we
(8) needed to make progress in relative to our
(9) competition was the 18 to 20 versus the 21 to 24,
(10) based on my recollection.

(11) Q: And thinking back generally to July of 1989,
(12) did the Camel target market include 18 to 34 year
(13) olds? I'm referring here to the target market.

(14) A: I think from a competitive share of smoker
(15) strategy and objective standpoint, that the focus
(16) was primarily 18 to 24. But as I've referenced
(17) earlier, you can't define yourself that tightly in
(18) terms of that is all you're after from a business
(19) opportunity standpoint and be successful in meeting
(20) objectives for the brand in total. That would be
(21) impossible to accomplish.

(22) Q: Well, did the target market in July of 1989
(23) include 18 to 34 year olds?

(24) A: As I said earlier, I believe the demographic
(25) target market was 18 to 24 year olds, as best of my

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(1) recollection.

(2) Q: So, then, it was not 18 to 34, to the best
(3) of your recollection?

(4) A: To the best of my recollection.

(5) Q: Let me ask you, in the same document - this
(6) is Pennell Number 5 - to look at page 50724 5145.
(7) Do you have that page in front of you, sir?

(8) A: Yes, I do.

(9) Q: It's Roman Numeral 1, "Background." And
(10) there's some handwriting on the side which I will
(11) read, to the best of my ability. It says:

(12) (Reading)

(13) Same phenon with females.

(14) FUBYAS strategy is working.

(15) Do you see that?

(16) A: Yes.

(17) Q: Do you read that language in the same way I
(18) do, or do you have a different read or
(19) interpretation of it?

(20) A: No, that's how I would read it as well.

(21) Q: Do you recognize any of that handwriting,
(22) what I just read?

(23) A: I don't recognize it one way or the other.

(24) I'm sorry.

(25) Q: Okay. We're done with that document, sir.

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(1) I'd like to have this marked as Pennell
(2) Number 6.
(3) (Pennell Deposition Exhibit number 6 was
(4) marked for identification.)
(5) MR. FRANKEL: Pennell Number 6 is also
(6) CX-247, and the first Bates stamp number is 50746
(7) 5862. And it goes to 5863. It's a two-page
(8) document.
(9) BY MR. FRANKEL:
(10) Q: Pennell, have you ever seen this
(11) document before?
(12) A: It doesn't immediately come to mind, no.
(13) Q: Thank you. No further questions on that
(14) document.
(15) When you began work as assistant brand
(16) manager on the Camel brand, what was the general
(17) trend in Camel's market share? Was it trending up,
(18) steady, or down?
(19) A: Total share of market, volume metric share
(20) of market.
(21) Q: Let's start with share of market.
(22) A: Yes, it was declining.
(23) Q: And what about share of smoker?
(24) A: Best of my recollection, it would have been
(25) declining as well.

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(1) Q: What was Camel's perception among smokers
(2) during the period that you first joined the Camel
(3) brand?
(4) A: As an assistant?
(5) Q: As an assistant brand -
(6) A: So that '85/'86 period.
(7) Q: Correct.
(8) A: Could you read me the question again,
(9) please, I'm sorry.
(10) (Previous question read by reporter.)
(11) THE WITNESS: Among Camel smokers? Among
(12) competitive adult smokers? Among whom?
(13) BY MR. FRANKEL:
(14) Q: Why don't we say among competitive smokers.
(15) A: Competitive adult smokers?
(16) Q: Yes.
(17) A: They perceived the brand as old, outdated.
(18) They felt the product was too strong and too harsh.
(19) They tended to think in a general way that it was
(20) more of an older person's product, that that's who
(21) they perceived smoked it.
(22) They thought of it relative to the regular
(23) non-filter product versus the filter products that
(24) were out there. But they also recognized it as a
(25) quality product that had been out in the marketplace

(1) for a long time and - but just felt it was stronger
(2) and harsher to smoke than what they preferred.
(3) Q: And what were Camel smokers' views of the
(4) Camel brand when you first joined the brand as an
(5) assistant marketing - what was the title again,
(6) assistant brand -
(7) A: Assistant brand manager.
(8) Q: Manager. Excuse me.
(9) A: I think overall Camel smokers, there again,
(10) as a general rule, liked their product. You know,
(11) what were perceived by some as negatives, they
(12) seemed to perceive as a positive. You know, they
(13) were kind of their own people. They didn't smoke
(14) the brand because of its image. They smoked it
(15) because they felt it was a good product. And they
(16) didn't agree that it was a hot/harsh product or
(17) otherwise they wouldn't be smoking it.
(18) Q: Was the Camel brand, for the period that you
(19) first started in marketing, considered relevant to
(20) younger adult smokers?
(21) A: As a general rule, no.
(22) Q: And why not? Would it be for the same
(23) reasons -
(24) A: For all the reasons I just stated relative
(25) to competitive adult smokers in general.

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(1) Q: From the time you joined the Camel brand
(2) forward, what efforts, if any, were made to change
(3) the perceptions of Camel?
(4) A: From the time I joined Camel when?
(5) Q: As an assistant brand manager -
(6) A: Right.
(7) Q: - forward. If I can ask you
(8) chronologically to take me through the types of
(9) changes that were made to change the perceptions of
(10) Camel.
(11) A: I'll give it a shot. When I came on as an
(12) assistant there was - as - there again, as I
(13) remember it, back in 1985, an exploratory underway
(14) to look at alternative ideas to potentially
(15) reposition the brand, given that the current
(16) positioning and campaign did not seem to - to be
(17) working to the degree that it should.
(18) Q: And let me just break in there for a
(19) second -
(20) A: Sure.
(21) Q: - to find out - what was the existing
(22) campaign when you joined? Did it have a name?
(23) A: It was -
(24) Q: I can throw out a name, but I don't want
(25) to -

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(1) A: It was the Camel world campaign. Some
(2) referred to it as the Bob Beck campaign. But that
(3) was the campaign that was currently running for the
(4) brand.

(5) Q: And was that campaign considered effective
(6) in repositioning the brand?

(7) A: That would probably depend on who you talked
(8) to. But when I came on to the business, it was
(9) considered to not be effective in accomplishing what
(10) it needed to do.

(11) Q: So - now let's get back to what - I think
(12) you mentioned that there was one or more
(13) exploratories underway?

(14) A: Well, there was an exploratory process, as I
(15) recall it, underway. And as a marketing assistant,
(16) I was not intimately involved in that process.
(17) There were several things during my time on Camel as
(18) an assistant brand manager that were considered and
(19) tested in the marketplace to obtain learning and see
(20) whether or not, you know, we could make progress.

(21) One of those was - I think I referenced
(22) this morning - utilization of the French Camel
(23) poster itself, taking that picture from that poster
(24) and putting it on a lighter and I think a T-shirt
(25) and doing a limited test in the marketplace with

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(1) those items.

(2) Q: Can you think of any other exploratories
(3) that were attempted while you were an assistant
(4) brand manager on the Camel brand?

(5) A: There were, perhaps, several different
(6) campaign approaches that I recall. I can't recall
(7) them specifically as approaches. But recall
(8) approaches being pursued and considered, but nothing
(9) was - nothing moved forward during the time that I
(10) was on the brand as an assistant from a full
(11) repositioning standpoint, no.

(12) Q: Now, are you aware of exploratories that
(13) were attempted with the Camel brand during the
(14) period that you were brand manager for More, Now,
(15) and Camel?

(16) A: Well, the only - the only one I recall is
(17) the repositioning of the brand relative to the 75th
(18) Birthday celebration and the emergence of Joe Camel.

(19) But importantly, that was not just the 75th
(20) Birthday creative that was a step in the right
(21) direction for the brand from a performance
(22) standpoint, nor was it using just the Joe Camel
(23) character. But it was a very comprehensive
(24) repositioning and total marketing program. There
(25) was promotional programs, direct marketing that took

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(1) place. There was price promotion that took place in
(2) the marketplace. Distribution was increased beyond
(3) what it had been on a national basis among the many
(4) styles of Camel. We obtained much greater presence
(5) for the brand at retail by our sales force
(6) accomplishing that for us during the repositioning,
(7) et cetera.

(8) So, I mean, it was a very comprehensive
(9) repositioning and performed very well, relative to
(10) the progress the brand made across all key
(11) measurements.

(12) Q: Getting back to the Bob Beck campaign or the
(13) Camel world, as I think you referred to it -

(14) A: Yes.

(15) Q: - did that campaign continue until the
(16) initiation of the 75th Birthday campaign?

(17) A: I don't - I don't remember the answer to
(18) that. Don't know the answer to that.

(19) Q: But sitting here today, you can't recall any
(20) other campaigns, other than the French Camel - I
(21) forget the word -

(22) A: That really wasn't a campaign. That was
(23) just two promotion tests done on a very limited
(24) basis. But, no, I don't recall any other campaign
(25) or activity besides - before that, no.

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(1) Q: And you also can't recall any other
(2) promotions other than the two French Camel
(3) promotions that you referred to, the lighter and the
(4) T-shirt?

(5) A: There were other promotions done, I'm sure,
(6) but I don't recall them specifically and don't know
(7) whether they were in conjunction with the Bob Beck
(8) campaign or not.

(9) Q: When Reynolds was repositioning or
(10) attempting to reposition the Camel brand, was it
(11) attempting to youthen the brand?

(12) MR. WILLIAMS: Can you define "youthen."
(13) BY MR. FRANKEL:

(14) Q: Was it attempting to make it appeal to a
(15) younger age group than it had been appealing to?

(16) A: Recognizing that I wasn't present for the
(17) process of repositioning the Camel brand and came on
(18) board - back on board to the brand at a later date,
(19) I would characterize as an objective - ongoing
(20) objective had been to make that brand more relevant
(21) and appealing to all adult smokers than it had been
(22) for some period of time.

(23) Q: All adult smokers?

(24) A: Yeah. I mean, I think that was the initial
(25) objective. And I think that the prime prospect that

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(1) was identified as the biggest opportunity among all
(2) adult smokers, as we've previously discussed, was
(3) 18, which was then the age limit age that we
(4) marketed our products against, 18 to 24, 18 to 34.

(5) As I recall it, when I was on - as an
(6) assistant, the prime prospect was identified as more
(7) in the 18 to 34 year old range and in the latter
(8) point moved to the 18 to 24.

(9) Q: Is it a correct statement for me to say that
(10) Reynolds wanted to reposition the Camel brand to
(11) make it attractive to younger adult smokers?

(12) MR. WILLIAMS: I think he said -

(13) THE WITNESS: I would prefer the words
(14) "relevant and appealing to younger adult smokers."

(15) BY MR. FRANKEL:

(16) Q: And is there a problem with the word
(17) "attractive"? I just want to understand, if there
(18) is.

(19) A: I prefer not to use the word "attractive"
(20) because it could, in my opinion, be misconstrued if
(21) taken out of context. Relevant and appealing to
(22) somebody who is an adult smoker who has made the
(23) decision to smoke - it's not about getting people
(24) to smoke. It's about converting adult smokers who
(25) have already made the decision to smoke.

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(1) Q: Right. And my question was with respect to
(2) younger adult smokers. So I hope - you understand
(3) that, right?

(4) A: Well, I'm just clarifying for me. I prefer
(5) to use the words "relevant and appealing" than
(6) attract or attractive.

(7) Q: Did Reynolds want to reposition the Camel
(8) brand to make it relevant and appealing, to use your
(9) words, to 18 to 20 year old smokers? Prior to 1992,
(10) of course.

(11) A: Well, yeah, I think if - if it's 18 to 24,
(12) then 18 to 20 would fall into that. So 18 to 20
(13) would be - have been part of it, yes. They fall in
(14) the description of younger adult smokers when we
(15) were marketing to 18-plus.

(16) MR. FRANKEL: I'd like to have this marked
(17) as Pennell Number 7.

(18) (Pennell Deposition Exhibit number 7 was
(19) marked for identification.)

(20) MR. FRANKEL: Pennell Number 7 is also
(21) CX-246. And it contains the Reynolds Bates Stamp
(22) Numbers 50474 2407 to 2409.

(23) BY MR. FRANKEL:

(24) Q: Mr. Pennell, have you ever seen Pennell
(25) Number 7 before?

(1) A: No, not that I can recall.

(2) Q: Have you ever heard of a younger adult
(3) workshop?

(4) A: Not that I can recall, no.

(5) Q: Okay. We're done with that document, sir.

(6) Did Reynolds want to reposition the Camel
(7) brand to make it relevant and appealing to first
(8) usual brand smokers? Actually, I want to go back.

(9) Earlier you testified you hadn't heard that
(10) phrase used by itself. So let me make it FUBYAS
(11) instead of first usual brand smokers. Do you
(12) understand the question, or would you like me to
(13) repeat it?

(14) A: Please repeat it now.

(15) Q: It's been a long day, I know.

(16) Did Reynolds want to reposition the Camel
(17) brand to make it relevant and attractive to FUBYAS?

(18) A: I think as Reynolds was - as Camel was
(19) being repositioned, the FUBYAS strategy, if you
(20) will, or theory, became one of the opportunities for
(21) the brand, yes.

(22) Q: What other opportunities were there besides
(23) the FUBYAS?

(24) A: There was still clearly the need to maintain
(25) the existing franchise. There was - no one was

(1) walking away from the ability to convert through
(2) other switching strategies as well.

(3) But clearly - or, in my opinion, one of
(4) the strategies that was - was adopted and deployed
(5) for the Camel brand during its repositioning was the
(6) first usual brand younger adult smoker approach and
(7) theory.

(8) Q: Precisely how did Reynolds seek to
(9) reposition the Camel brand to make it relevant and
(10) appealing to FUBYAS?

(11) A: I don't know that I can answer that
(12) precisely. I think that the FUBYAS strategy was
(13) employed relative to the creative that was used,
(14) promotional activity and programs, as examples of -
(15) of that, trial and conversion programs that were -
(16) were developed and established.

(17) But there again, you know, as I've repeated
(18) before, it cannot be done in a way that was relevant
(19) and appealing to that 18 to 20 or 18 to 24 year old
(20) age group and turned off or was not a viable
(21) opportunity among a broader group.

(22) Q: Can you think of specific strategies,
(23) though, that were employed by Reynolds to reposition
(24) the Camel brand to make it relevant and appealing to
(25) FUBYAS?

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(1) MR. WILLIAMS: I think he's just given you
(2) some. Do you want more in addition to what he said
(3) before?

(4) MR. FRANKEL: In addition to what you said
(5) before, I frankly haven't heard specific
(6) strategies.

(7) MR. WILLIAMS: He said creatives,
(8) promotional activities and programs, trial and
(9) conversion programs.

(10) THE WITNESS: I would characterize the
(11) creative as being a strategy against - that could
(12) be developed against the FUBYAS or whatever
(13) approach.

(14) BY MR. FRANKEL:

(15) Q: Okay. So the creatives, whether there any
(16) themes or motifs for the creatives?

(17) A: Well, the whole creative process. What does
(18) the advertising look like? What are the executions
(19) that you run? Et cetera. When I talk about the
(20) creative process or the creative strategy.

(21) I mean, you don't want to - if you have a
(22) FUBYAS - if you have a FUBYAS strategy or theory as
(23) part of what you are going to utilize to help you
(24) grow that brand among adult smokers, then obviously
(25) you wouldn't want to develop all of your

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(1) executional, you know, marketing mix elements
(2) against smokers 35-plus.

(3) MR. FRANKEL: I'd like to have this marked
(4) as Pennell Number 8.

(5) (Pennell Deposition Exhibit number 8 was
(6) marked for identification.)

(7) MR. FRANKEL: Pennell Number 8 is a May 17,
(8) 1989 memorandum from Mr. S. L. Snyder, S-N-Y-D-E-R,
(9) to Mr. G. C. Pennell. It bears the Reynolds Bates
(10) Stamp Number 50686 7911 to 7913. It's a three-page
(11) document.

(12) BY MR. FRANKEL:

(13) Q: Mr. Pennell, have you ever seen this
(14) document before?

(15) (Witness reviews document.)

(16) A: It's kind of tough to respond to your
(17) question of whether I've seen it before. It refers
(18) to numerous attachments that aren't here. But I
(19) don't know whether this was a finished document that
(20) was issued or not, but I - I don't recall it, but
(21) that doesn't mean that I didn't receive it and that
(22) it was indicated it was - you know, it was sent to
(23) me.

(24) But I don't look at it and say, yes, I
(25) remember this memo from 1989.

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(1) Q: Looking at the first sentence of the
(2) memorandum on page 1 under the title of "Issue," it
(3) says: (Reading)

(4) Analyses have shown that
(5) before RJR Tobacco can
(6) renew its share of market
(7) growth, it must generate and
(8) sustain solid share of smoker
(9) growth among younger adult
(10) smokers.

(11) Do you see that?

(12) A: I see that sentence, yes.

(13) Q: Is that sentence, in your mind, a correct
(14) statement, a true statement?

(15) MR. WILLIAMS: I'm going to object. Lack of
(16) foundation. He didn't write it.

(17) MR. FRANKEL: Let me ask it differently.

(18) BY MR. FRANKEL:

(19) Q: Do you agree with that statement?

(20) MR. WILLIAMS: Same objection.

(21) THE WITNESS: No, I don't -

(22) MR. WILLIAMS: It has no evidentiary value.
(23) Come on.

(24) THE WITNESS: I don't, as a general rule,
(25) agree with that statement.

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(1) BY MR. FRANKEL:

(2) Q: Why don't you agree with that statement?

(3) A: Number one, we have - we have proof, as a
(4) company, that you don't have to meet this objective
(5) in order to grow your business significantly over
(6) time. Just among this tightly defined age group,
(7) our Doral brand, as I referenced earlier, is, in my
(8) opinion, a perfect example of that; that is, the
(9) largest brand this company makes has grown to be
(10) that and has done it by growing its business by -
(11) by growing its business among adult smokers 35-plus,
(12) with relatively little or no younger adult smoker
(13) business.

(14) You know, it - also in this document that
(15) this person wrote - whether it was issued or not, I
(16) don't know - but what is here goes on to say that
(17) the only way that can happen, down there further
(18) is - is that you have no loss in franchise loyalty
(19) or - it also says that in order for that to happen,
(20) you've got to have no loss in franchise loyalty
(21) or buying rate, no loss in share of savings - or
(22) share of smoker among other age groups, and no loss
(23) in competitive usage or volume.

(24) So, I mean, to answer your comment about do
(25) I agree with that broad stroke statement, I think

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(1) that for some brands that is an opportunity to grow
(2) its business over the long term, but some other
(3) things also have to play. You can't just accomplish
(4) it there. And I don't believe that every brand has
(5) to do that to be successful in the marketplace.

(6) Q: The example you gave of the exception to
(7) this statement was the Doral brand. And the Doral
(8) brand is a savings brand, correct?

(9) A: That's correct.

(10) Q: If this statement had been limited to
(11) full-price brands, would your analysis change?

(12) A: Not necessarily.

(13) Q: Why is that?

(14) A: Because, as I referenced earlier, there have
(15) to be certain things that stay in check in order for
(16) this - this strategy to work or that statement to
(17) be appropriate, the ones that I read just a minute
(18) ago that are referenced on this same document.

(19) And the other reason is - is that I
(20) believe that one could utilize price promotion, not
(21) on a sustained basis, but on a temporary basis in
(22) and out in terms of its opportunity and still grow
(23) their business.

(24) I personally would argue that what's here
(25) of late Marlboro has been able to do in the

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(1) marketplace as a full-price brand, my own personal
(2) observations, and continue to show market share
(3) growth, because they have gone out and used a price
(4) promotion but not a day-in/day-out reduced price
(5) brand strategy to make that happen. So I don't
(6) think it has to be that way just with a savings
(7) brand.

(8) Q: And the price promotion you're referring to
(9) with Marlboro, is that a lower retail price, or is
(10) it an additional incentive given to smokers to
(11) purchase Marlboro, for example, coupons or
(12) utilitarian items? Do you understand my question?

(13) A: Yeah. I see them all as being incentives to
(14) get people to buy more Marlboro cigarettes, smokers
(15) to buy more Marlboro cigarettes. But to give you
(16) specific examples, part of that is price reduction
(17) at retail for a specific period of time. Part of
(18) that is, you know, multiple and a lot of buy four
(19) packs/get one free or buy two/get one free type
(20) promotions. Significant direct marketing activity,
(21) some with coupons, et cetera, would be examples of
(22) what I'm talking about.

(23) Q: Now let me refer you to the last page of
(24) this document of Pennell Number 8. And it has the
(25) Bates Stamp Number 50686 7913.

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(1) The first question: Do you see the
(2) signature above the typewritten name Steven L.
(3) Snyder?

(4) A: Yes.

(5) Q: Do you recognize that signature?

(6) A: No. I mean, I'll assume it's Steve's, but I
(7) don't recognize it. I wouldn't know his
(8) handwriting.

(9) Q: You stated earlier that you weren't sure if
(10) this would be a draft or a final version of the
(11) memo. Is it typical for people to sign drafts and
(12) circulate them?

(13) A: Well, I don't know that it was circulated.

(14) But what is missing here is the attachments that are
(15) referred to throughout this document then.

(16) Generally speaking, for something to be issued it
(17) would - and refer to attachments, should have the
(18) attachments included.

(19) Q: Is that -

(20) A: And this doesn't. So, I mean, like I said,
(21) I didn't say this hadn't been issued. I said I
(22) couldn't tell whether it had or hadn't. And the big
(23) issue for me is - is that it refers to attachments,
(24) and they're not there.

(25) MR. WILLIAMS: Maybe it wasn't issued in

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(1) that form. How about that?

(2) BY MR. FRANKEL:

(3) Q: Is the lack of attachments the only reason
(4) why you are not able to say whether it's a draft or
(5) not? Or is there some other aspect of the document
(6) that leaves that question in your mind?

(7) A: No. I mean, that would be the one that
(8) would - you know, that comes to my mind or makes me
(9) wonder whether it had been issued or not.

(10) Like I said, I'm not suggesting it wasn't.

(11) I just don't know whether it was or it wasn't. The
(12) attachments aren't there for me to fully respond to
(13) the document.

(14) Q: Again, referring to the last page of the
(15) document, Pennell Number 8, it says in the last
(16) sentence before the signature: (Reading)

(17) Cliff, I will continue to
(18) closely monitor Camel Ex
(19) Regular's in-market
(20) performance among YAS and will
(21) advise you of any change in
(22) the brand's performance among
(23) this group or on their
(24) resultant contributions to
(25) Nielsen retail share.

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(1) Do you see that sentence?

(2) A: Yes, I do.

(3) Q: Do you know if Steve Snyder, in fact,
(4) closely monitored the Camel Ex. Regular's in-market
(5) performance among YAS?

(6) A: Well, I can't say that he closely monitored
(7) it or he didn't. I know that he was accountable
(8) for as the marketing research person assigned -
(9) manager assigned to the Camel brand during a
(10) specific period of time, and some overlap of when I
(11) was on the brand, that one of his accountabilities
(12) was to track the brand's performance against its
(13) objectives. And one of the brand's objectives was
(14) to grow our share of smoker among younger adult
(15) smokers.

(16) Q: I think you may have had a problem with the
(17) word "closely," so let's take out the word
(18) "closely."

(19) To your knowledge, did Mr. Snyder monitor
(20) Camel Ex. Regular's in-market performance among YAS?

(21) A: To the best of my recollection, he would
(22) have, yes.

(23) Q: Do you know what he found over time?

(24) MR. WILLIAMS: You're going to have to be
(25) more specific, please.

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BY MR. FRANKEL:

(1) Q: Do you know what he found?

(2) A: Over what time? I mean, over the time I
(3) was on Camel or he was on - I mean -

(4) Q: From the time of May 17, 1989, the date of
(5) this memorandum, forward to as far as you can take
(6) it.

(7) A: Best of my recollection, during the time
(8) that I was on Camel, the brand grew its share of
(9) smoker among all age groups, including 18 - younger
(10) adult smokers 18 to 24, and increased its market
(11) share and volume shipments in the process through a
(12) comprehensive total marketing plan that include
(13) advertising, promotion, direct marketing, price
(14) activity, etc., and was deemed to be successful
(15) in meeting those objectives. Its total brand
(16) objectives, not just its share of smoker one.

(17) Q: We're done with that document. Thank you.

(18) Have you ever heard of the happy Camel?

(19) A: The what?

(20) Q: The happy Camel?

(21) A: That's not a term I'm familiar with, no.

(22) Q: Have you ever heard of the funny Camel?

(23) A: That doesn't come to mind either.

(24) Q: When did you first hear of the French Camel?
(25)

(1) A: It would have been sometime upon me coming
(2) on to Camel as the assistant brand manager when I
(3) came into marketing in 1985.

(4) Q: Would it have been soon upon your arrival or
(5) sometime later?

(6) A: Golly, I don't know. I have no idea. I'm
(7) sorry.

(8) Q: The French Camel was a cartoon character
(9) illustration of a Camel; is that correct?

(10) MR. WILLIAMS: What do you mean by
(11) "cartoon"? We've been using "illustrated."

BY MR. FRANKEL:

(13) Q: Well, can you answer -

(14) MR. WILLIAMS: No. Use illustrated. Okay?

(15) I don't want the record cluttered up with cartoon,
(16) because we have a disagreement over a cartoon as
(17) whether cartoon is animation or whatever.

(18) THE WITNESS: I'll define the French Camel
(19) as a caricature rendering by an artist of the camel
(20) beast off the pack jumping through a pack of camels
(21) with a cigarette in his mouth.

BY MR. FRANKEL:

(23) Q: Do you know who created the French Camel?

(24) A: It's my understanding it was some artists in
(25) France, but I don't know the specifics of it.

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(1) MR. WILLIAMS: That's a good guess.

(2) MR. FRANKEL: I don't know, actually. I've
(3) heard different stories. But that's okay.

(4) MR. WILLIAMS: We'll look forward to hearing
(5) those stories of yours as well.

BY MR. FRANKEL:

(7) Q: Was the French Camel ever used anywhere in
(8) the world in the marketing of Camel cigarettes prior
(9) to its use here in the United States?

(10) A: Can you read that back or say it again?

(11) Q: Sure. Was the French Camel used anywhere in
(12) the world in the marketing of Camel cigarettes prior
(13) to its use in the United States?

(14) A: I was under the assumption it was used in
(15) France before we used it on a T-shirt and a lighter
(16) on a test basis, but I don't - I guess I don't know
(17) the answer to that.

(18) Q: Other than France, can you think of anywhere
(19) else -

(20) A: I have no idea.

(21) Q: - where it's ever been used -

(22) A: I have no idea.

(23) Q: - at any time, other than the United States
(24) and France?

(25) A: I have no idea.

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(1) Q: Do you know anything about the target
(2) audience for the French Camel in France?
(3) A: Nothing.
(4) Q: Do you know what the legal age was in France
(5) for smoking during the use of the French Camel in
(6) France?
(7) A: No, I don't.
(8) Q: Was the French Camel ever used as a model or
(9) example by Reynolds for the creation of advertising
(10) here in the United States?
(11) A: I don't know the answer to that.
(12) Q: Are you familiar with Trone Advertising?
(13) A: Yes, I know who Trone Advertising is.
(14) Q: When you were involved with the Camel brand,
(15) did Trone also have any involvement with the Camel
(16) brand?
(17) A: Not while I was an assistant marketing or
(18) assistant brand manager, no. They did for a brief
(19) period after I came back on to the Camel brand,
(20) after the 75th Birthday positioning et cetera.
(21) Then I moved my - the business back fully to McCann
(22) Erickson as our agency of record.
(23) Q: You said you moved the business back there?
(24) A: That's correct. The decision was made.
(25) Q: And you made that decision?

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(1) A: Well, I made the recommendation, yes.
(2) Q: And why did you make the recommendation to
(3) move it from Trone to McCann Erickson?
(4) A: Well, McCann Erickson was never off the
(5) business. Trone was working on that with McCann
(6) Erickson, I believe was the way that worked. I
(7) believe that I needed only to have one agency to
(8) work with and that McCann Erickson was demonstrating
(9) their potential to give me their best input of work
(10) at the time.
(11) Q: Was there any problem with Trone's work?
(12) A: I wouldn't characterize it as problematic.
(13) I would characterize it just not as effective as
(14) what I was getting from McCann Erickson at the time.
(15) Q: Who were you most involved with with Trone
(16) with respect to Camel advertising?
(17) A: Oh, gosh. I don't recall the folks that I
(18) interacted with there in terms of who their account
(19) folks were and their creatives. I just don't
(20) recall. It's a long time ago, and it was a very
(21) brief relationship.
(22) Q: Does the name Mr. Irons ring a bell to you?
(23) A: Irons.
(24) Q: I-R-O-N-S.
(25) A: Vaguely I think that might have been one of

(1) the creative folks. But that just was a long time
(2) ago.
(3) Q: So you don't recall?
(4) A: The name sounds familiar but I don't recall
(5) what he did with them.
(6) MR. WILLIAMS: Can we - I need to stop for
(7) one second and get my parking ticket validated
(8) before 5:30. Do you have yours done?
(9) MR. FRANKEL: Yes.
(10) MR. WILLIAMS: Can you hold on just one
(11) second?
(12) MR. FRANKEL: Yes. Let's go off the record.
(13) (Recess taken from 5:13 p.m. to 5:16 p.m.)
(14) MR. FRANKEL: Okay. We're back on the
(15) record.
(16) BY MR. FRANKEL:
(17) Q: Was the French Camel ever used by Reynolds
(18) in focus groups?
(19) A: I don't recall whether the French Camel,
(20) that specific French Camel, was ever shown in focus
(21) groups or not.
(22) MR. WILLIAMS: You know, we've been all
(23) through that with the witnesses who were there in
(24) the focus groups. Ask this guy something that he
(25) knows about. You've already got your answer to that

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(1) from other people.
(2) I mean, you don't need to repeat the same
(3) questions even though it's in your outline. You
(4) have the answer to that question.
(5) BY MR. FRANKEL:
(6) Q: Were the French Camel lighter and T-shirt
(7) promotions successful?
(8) A: My recollection is - is that we did feel
(9) that they were successful.
(10) Q: Can you think of any higher participation
(11) rates for any freestanding insert promotion that
(12) preceded the lighter and T-shirt promotions that
(13) were more successful than the French Camel lighter
(14) and T-shirt promotions?
(15) MR. WILLIAMS: Let's have that back, Linda.
(16) It's getting late in the day. Higher and more
(17) successful?
(18) (Previous question read by reporter.)
(19) MR. WILLIAMS: I'm going to object as vague
(20) and too long a question to be asked at 5:30 p.m.
(21) Incomprehensible.
(22) THE WITNESS: The program, as I recall it,
(23) was -
(24) MR. WILLIAMS: Well, just - no. You've
(25) already said you thought it was successful. Now -

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(1) THE WITNESS: Right.
(2) MR. WILLIAMS: Let's not repeat that. Okay?
(3) He's asked the question, something about higher
(4) participation rates, more successful, prior to this
(5) promotion.
(6) MR. FRANKEL: Actually, I'll withdraw it and
(7) start again.
(8) MR. WILLIAMS: All right.
(9) BY MR. FRANKEL:
(10) Q: Okay. How did the freestanding insert
(11) response rate for the French Camel lighter and
(12) T-shirt promotions compare with previous
(13) freestanding insert promotions?
(14) MR. WILLIAMS: Did we establish it was a
(15) freestanding promotion?
(16) MR. FRANKEL: Freestanding insert.
(17) MR. WILLIAMS: Insert promotion I didn't
(18) know it was.
(19) THE WITNESS: It was a media-delivered
(20) insert for the test, yes, as I recall it.
(21) I mean, I don't remember comparing it or
(22) what have you, but -
(23) MR. WILLIAMS: If you don't know, Cliff -
(24) THE WITNESS: So I mean, I don't -
(25) I don't remember comparing it to previous ones or

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(1) not. I'm not suggesting we didn't.
(2) BY MR. FRANKEL:
(3) Q: Can you think of any higher participation
(4) rates for any freestanding insert promotion than the
(5) French Camel lighter and T-shirt promotions?
(6) A: I - I don't know.
(7) MR. WILLIAMS: He said he didn't recall.
(8) They didn't compare.
(9) THE WITNESS: No, not that we didn't
(10) compare. I don't recall us comparing. But I
(11) don't - I don't remember us - it being higher. I
(12) don't even remember what the exact results were. I
(13) mean that was thirteen years ago or twelve years
(14) ago when that test was run.
(15) BY MR. FRANKEL:
(16) Q: Was there ever any concern at Reynolds or
(17) expressed to Reynolds that the French Camel might be
(18) attractive to kids?
(19) MR. WILLIAMS: That's a compound question.
(20) Object.
(21) THE WITNESS: I don't recall any discussion
(22) relative to the French Camel as I've defined how I
(23) see that as being that, no.
(24) BY MR. FRANKEL:
(25) Q: Is my understanding correct that the French

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(1) Camel T-shirt promotion was originally intended to
(2) be a one-time promotion?
(3) A: My recollection is that it was intended to
(4) be a test to see what happened when we ran it. I
(5) can't speak to whether or not it was intended to
(6) just run for that test and then one other time or
(7) that be it and whatever. I don't recall at all.
(8) Q: And was the test successful?
(9) A: As I said before, I believe the test was
(10) successful.
(11) MR. WILLIAMS: Asked and answered.
(12) BY MR. FRANKEL:
(13) Q: Was there any intent at the time of the
(14) Camel T-shirt promotion to consider it as a
(15) potential concept for future executions?
(16) MR. WILLIAMS: Do you recall?
(17) THE WITNESS: Not that I recall.
(18) BY MR. FRANKEL:
(19) Q: I think you testified that when the 75th
(20) Birthday celebration began, you were not with the
(21) Camel brand; is that correct?
(22) A: That is correct.
(23) Q: When you came back to the Camel brand as
(24) brand manager in April or May of '88 - was it?
(25) A: Correct. Yes.

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(1) Q: '88?
(2) A: That's right.
(3) Q: Was the 75th Birthday celebration ongoing?
(4) A: In process?
(5) Q: In process, yes.
(6) A: Best of my recollection, it was just winding
(7) down.
(8) MR. FRANKEL: I would like to have this
(9) marked as Pennell Number 9.
(10) (Pennell Deposition Exhibit Number 9 was
(11) marked for identification.)
(12) MR. FRANKEL: Pennell Number 9, which just
(13) has been handed to Mr. Pennell, is a September 27,
(14) 1988, memorandum from M. P. LaBrecque to Mr. G. C.
(15) Pennell, regarding "Camel June Toll-Free T-shirt
(16) Offer, The Final Results." And it bears the Bates
(17) Stamp Number 8743 through 8746 and the Reynolds
(18) Bates Stamp Number 50688 3924 through 3927.
(19) (Witness reviews document.)
(20) BY MR. FRANKEL:
(21) Q: Mr. Pennell, have you seen Pennell Number 9
(22) before?
(23) A: Probably, yes. I mean, I just - I'm going
(24) back to 1988, but I remember this promotion and
(25) would like to comment that this is a different

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(1) promotion that this is referring to than the French
(2) Camel T-shirt test and lighter test that was done
(3) back in the '85/'86 period. This is a totally
(4) different - this was an extension of something that
(5) had already been put into place relative to the 75th
(6) Birthday.

(7) Q: Was this particular T-shirt offer
(8) successful?

(9) A: My overall recollection was, yes, it was
(10) successful.

(11) Q: Up until September of '88, had you ever seen
(12) a T-shirt offer at Reynolds that had a redemption
(13) rate of 24 percent?

(14) MR. WILLIAMS: Controlling for all other
(15) factors is equal?

(16) THE WITNESS: I don't recall that we had
(17) ever made that comparison or done anything. So -

(18) BY MR. FRANKEL:

(19) Q: And am I correct in reading the number of
(20) T-shirts ordered as 2,008,000 T-shirts by August 31,
(21) 1988?

(22) MR. WILLIAMS: Two million?

(23) MR. FRANKEL: That's my question, 2,008,000.

(24) THE WITNESS: I don't remember what the
(25) exact number is. That could be right. I remember

(1) have something pop up at you was considered a
(2) high-impact opportunity, not only among adult
(3) smokers but also among adult smokers in general.

(4) MR. WILLIAMS: What about the TransAmerica
(5) building in San Francisco.

(6) THE WITNESS: San Francisco. That's what it
(7) is. I knew it was somewhere. Sorry.

(8) BY MR. FRANKEL:

(9) Q: Do you know what the TransAmerica building
(10) pop-up was trying to promote, what product or
(11) service?

(12) A: I think it was - there again, I think it
(13) was their - I just remember that they ran this -
(14) it was my recollection that they ran this huge
(15) pop-up. And it's an example that I would use
(16) relative to a lot of people remember having seen
(17) that. So I thought maybe it would help explain what
(18) a 3-D pop-up unit is.

(19) Q: Again, do you know what the TransAmerica
(20) pop-up was trying to promote, the product or
(21) service?

(22) A: No, I don't remember that.

(23) Q: I note that under the age breakout portion
(24) on the first page there's a reference to 61 percent,
(25) 21 to 34 year olds. Do you see that?

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(1) it was a very big and expensive program. If I'm not
(2) mistaken, I ran into the problem that it did not
(3) specify "while supply lasts" or what have you and
(4) specified a beginning and ending date and,
(5) therefore, there was commitment company wide to meet
(6) the orders that were placed.

(7) BY MR. FRANKEL:

(8) Q: Looking at the first page of this document
(9) in the middle of the page, I see a reference to a
(10) "3D Pop-up unit." Do you see that?

(11) A: Yes.

(12) Q: Can you describe what that refers to?

(13) A: I believe it's referring to a - a spread
(14) unit in a magazine that when you open it up it pops
(15) up at you.

(16) Q: Was that considered an effective way to
(17) reach younger adult smokers?

(18) A: I think that it was considered an effective
(19) way to break through the clutter to reach adult
(20) smokers in general. In fact, I think it was the -
(21) I may have the building wrong in New York - the
(22) TransSouth Building or what have you, that did a
(23) pop-up that I think led to this example of doing
(24) this back then in terms of some of the discussions.
(25) But to have something - you open a magazine and

(1) A: Yes, I do.

(2) Q: What procedures did Reynolds implement to
(3) verify the ages of the people back in September of
(4) '88 and earlier to ensure that people under the age
(5) of 21 were not receiving T-shirts?

(6) MR. WILLIAMS: Is it illegal to receive a
(7) T-shirt if you're under 21? I'm just asking.

(8) THE WITNESS: Well, I mean, I don't - I'll
(9) answer the one question first.

(10) MR. WILLIAMS: No, no. Answer his question.

(11) THE WITNESS: I do not know the specific
(12) procedures for this specific promotion back then in
(13) 1988. I believe that it was a toll-free number that
(14) you called into, had to provide information on. And
(15) I don't know what the qualification process beyond
(16) that was. I just don't remember for that promotion.

(17) But I do know that the offer was clearly
(18) stated that you must be a smoker 21 years of age or
(19) older, which, when qualified from that standpoint,
(20) initially, you know, was - would be reinforced.
(21) What steps took place after the initial phone
(22) qualification, I just don't remember for this
(23) promotion.

(24) BY MR. FRANKEL:

(25) Q: So you don't know, for example, whether

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(1) there was any written materials that went between
(2) Reynolds and the people who obtained the T-shirts?

(3) A: I just don't - I just don't recall, no.

(4) MR. WILLIAMS: You mean other than in the
(5) ad?

(6) MR. FRANKEL: Other than the ad.

(7) BY MR. FRANKEL:

(8) Q: Is that right? Other than the ad?

(9) A: I don't recall. That's correct.

(10) Q: Now, turning to the second page of this
(11) document, Pennell Number 9, I note at the top
(12) there's a size breakout of shirt orders. Do you see
(13) that?

(14) A: Yes, I do.

(15) Q: And I note that there's - that the letters
(16) are XL, L, M, and S. I assume that means,
(17) extra-large, large, medium, small - is that correct?

(18) A: That's correct. That's what I would assume,
(19) too, yes.

(20) Q: I don't have any other questions on this
(21) document. Thank you.

(22) I'd like now to turn to the Joe Camel
(23) advertising campaign. Who were the people most
(24) involved in the types of promotion and marketing
(25) that would be employed in the Joe Camel campaign?

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(1) A: I'm not sure I'm following. Would be
(2) employed in the Joe Camel - we're defining Joe
(3) Camel as -

(4) Q: Well, I think you defined earlier in the
(5) deposition as -

(6) A: The reason I'm confused, I guess, is - is
(7) that we were just talking about the 75th Birthday,
(8) and Joe Camel was part of the 75th Birthday. And
(9) now we're turning to Joe Camel and I wasn't real
(10) sure we had left one versus the other. That's all
(11) I'm asking for clarification.

(12) Q: Okay. So, in your mind, the 75th Birthday
(13) celebration is part of the Joe Camel campaign; is
(14) that correct?

(15) A: Under the Joe Camel character, yes.

(16) Q: Who were the people most involved in the
(17) types of promotion and marketing that would be
(18) employed in the Joe Camel campaign?

(19) MR. WILLIAMS: I know it's late, but just
(20) based on other things, first of all, we have a long
(21) period of time on Joe Camel. Secondly, you know,
(22) Dave Iauco gave you all these different things that
(23) were done during the Joe Camel marketing campaign,
(24) including, you know, things like, you know, product
(25) development and that sort of thing.

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(1) So I just know we're getting extremely broad
(2) in all of this. And I think it would be very
(3) helpful if you could focus it in some way. You've
(4) got a ten-year period and so many different things
(5) going on in the marketing campaign. We need to
(6) define it as marketing as opposed to advertising or
(7) creative or imagery.

(8) BY MR. FRANKEL:

(9) Q: Well, again, I'm asking for the people most
(10) involved. I'm not asking for every person involved.

(11) In your mind, who was most involved in the
(12) types of promotion and marketing that would be
(13) employed in the Joe Camel campaign?

(14) A: The promotions and marketing or promotions
(15) in marketing?

(16) MR. WILLIAMS: He said promotions and
(17) marketing.

(18) MR. FRANKEL: Promotions and marketing,
(19) three words.

(20) THE WITNESS: Well, that would be everybody,
(21) in my mind, and the only way you could answer who
(22) was involved would be to take everybody who was on
(23) the brand business unit during any point in time
(24) between 1987 and today - or till - while he was in
(25) the marketplace. Because, I mean, you are - you're

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(1) talking about - when you talk about the
(2) repositioning of the Camel brand and put it in the
(3) context of Joe Camel campaign versus Joe Camel
(4) advertising - because that was one element of it -
(5) you're now talking about all advertising, all
(6) promotion, retail, direct mail, event marketing,
(7) product - existing new product development, line
(8) extensions. I mean you're talking about every
(9) marketing mix element when you define it that way.

(10) And if we talk about just the creative
(11) itself, then that would be one marketing - one
(12) aspect of it, or certainly a smaller piece.

(13) BY MR. FRANKEL:

(14) Q: Well, I was asking for the people most
(15) involved, not everyone involved. And in your
(16) mind -

(17) MR. WILLIAMS: He's saying it's impossible
(18) to differentiate. All of these people weren't a
(19) hundred percent of their time or whatever doing on
(20) this.

(21) THE WITNESS: If I had to choose somebody to
(22) narrow it down, I would say take whoever the brand
(23) manager or senior brand manager or VP of the brand,
(24) director or VP, depending on - but the one person
(25) who had single accountability for Camel at any point

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(1) in time, and call them the one. Because, other than
(2) that, you're now - unless you specify which area of
(3) the marketing mix you're talking about, then in my
(4) mind, everybody - you've got - that's the only way
(5) to limit it. I know I'm rambling here now.

(6) BY MR. FRANKEL:

(7) Q: Actually, you've made a good suggestion.
(8) Let's do it by job titles and positions. I think
(9) that sounds like it might be easier.

(10) A: I'm just talking about a - if I tried to
(11) limit it, it would be - you know, I mean, if I walk
(12) through the relative discussions we've had already
(13) today, Lynn Beasley, I replaced her. So she was the
(14) head of the Camel brand for whatever period of time,
(15) until April or May of '88, when I came on board.

(16) A gentleman who I referenced earlier today,
(17) Ned Leary, replaced me as brand manager, I believe,
(18) or senior brand manager on the Camel brand. And I
(19) believe Fran Creighton, who we've already talked
(20) about today, as well, replaced Ned. I'm not
(21) mistaken. I think that's the progression.

(22) Q: And is it your opinion that Lynn Beasley,
(23) yourself, Ned Leary, and Fran Creighton are the
(24) people most involved in the types of promotion and
(25) marketing that would be employed in the Joe Camel

(1) Fran Creighton.

(2) A: Well, I would think that person who has got
(3) the single highest level of hundred percent
(4) accountable for the Camel brand. Anybody above them
(5) would have that plus something else. So when I say
(6) single highest person fully devoted to Camel, that
(7) they would be involved in that process, you know,
(8) for sure.

(9) There would be somebody at the advertising
(10) agency that is bringing the creative. There would
(11) be whatever assistant might be assigned to - or
(12) manager, depending on the structure of the brand at
(13) the time - that would be assigned to the
(14) advertising.

(15) So, I mean, when you ask specifically about
(16) ads, that would limit down the number of people who
(17) would be specifically involved in it.

(18) Q: What about promotions?

(19) A: It would depend on how a business - a
(20) brand - the Camel brand has been structured at any
(21) point in time when Lynn had it versus I had it
(22) versus Ned had it, et cetera, versus Fran right now.
(23) I don't know how she specifically has it broken out
(24) from an organizational chart of who's responsible
(25) for what.

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(1) campaign?

(2) MR. WILLIAMS: No. He said he was incapable
(3) of answering that broad a question. He said if you
(4) need certain names, he'll name the brand manager and
(5) then he named these brand managers.

(6) THE WITNESS: These are the individuals that
(7) have, to the best of my recollection, single point
(8) accountability for the Camel brand from the
(9) repositioning of the brand up and through today.

(10) MR. WILLIAMS: Last year.

(11) THE WITNESS: Or until - well, from a Joe
(12) Camel standpoint, for as long as it was in market,
(13) but ...

(14) BY MR. FRANKEL:

(15) Q: There is still some Joe Camel marketing
(16) going on today, isn't that correct?

(17) A: If there is, I'm not sure what it would be.

(18) Q: Well, are you familiar with a - are you
(19) familiar with a nostalgia catalog that's presently
(20) on the market with respect to the Camel brand?

(21) A: Not really, no.

(22) Q: Who were the people most involved in
(23) deciding which ads to run in the Joe Camel campaign?
(24) Would it be the people you just listed, or would it
(25) be someone else? Lynn Beasley, yourself, Ned Leary,

(1) You know, when I had the Camel brand, as I
(2) recall it, you know, there was somebody who worked
(3) with me on advertising, there was somebody who was
(4) responsible for the promotional aspect of, somebody
(5) was responsible for the product aspect of it and
(6) different elements. And they would rotate around
(7) periodically for their own development.

(8) Q: So these people would make recommendations
(9) to you, and you would make decisions based on their
(10) recommendations?

(11) MR. WILLIAMS: Which people? He's already
(12) given a list of names of people who preceded him and
(13) succeeded him.

(14) MR. FRANKEL: He just used himself as an
(15) example.

(16) THE WITNESS: Yeah, if you're talking about
(17) during the time that I had it. It would never work
(18) just one way. Sometimes I was intimately involved
(19) in the entire process. Sometimes ideas would be
(20) brought to me and recommended. It just - there was
(21) never - I wish there was. It would make it a lot
(22) simpler to explain or, perhaps, even a process to go
(23) through. But there was never this finite. This is
(24) the way this process worked every time.

(25) MR. FRANKEL: This is Pennell Number 10.

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(1) (Pennell Deposition Exhibit number 10 was
(2) marked for identification.)
(3) MR. FRANKEL: Pennell Number 10 is a
(4) February 28, 1989, memorandum from G. G. Strauss to
(5) Mr. G. C. Pennell. The Reynolds Bates stamp number
(6) is 50687 4435 to 4437. It's a three-page document.

(7) BY MR. FRANKEL:

(8) Q: Mr. Pennell, have you ever seen this
(9) document before?

(10) (Witness reviews document.)

(11) A: I don't remember specifically, but, yes,
(12) it's possible. I mean, sorry, I'm being asked to
(13) remember whether I received something or saw
(14) something back in 1989. But I'm familiar with the
(15) area of content that it's talking about, as a
(16) general rule heading.

(17) Q: The subject of the document is "Aerial
(18) Advertising for Camel Field Marketing."

(19) Was aerial advertising for Camel ever done?

(20) A: I don't recall whether we just tested this
(21) or whether we went more than just a test. But we
(22) did, I recall, at least do a test on aerial
(23) advertising for Camel.

(24) Q: Does a test mean that a plane actually went
(25) up in the air and had the banner attached to it, or

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(1) is a test something other than that?

(2) A: No, that test would be actually having it go
(3) up in the air and be utilized, yes.

(4) Q: And if there were a test of aerial
(5) advertising, how would the test be measured? How
(6) would the success or non-success of that test be
(7) measured?

(8) A: It would - that would depend. There would
(9) be a lot of judgment in that regard relative to
(10) other advertising vehicles that were being used in
(11) the given marketplace at the time. Whether or not
(12) we felt that it adequately represented the brand in
(13) the way and the context that we wanted to consistent
(14) with the positioning of the brand, cost of it
(15) versus - I mean, it just would - in an instance
(16) like this be a lot of judgment that would be
(17) involved in deciding whether you continued to do it
(18) or not.

(19) Q: So you do not know whether aerial
(20) advertising was ever done for the Camel brand at any
(21) time?

(22) MR. WILLIAMS: He just said he thought there
(23) was a test; he didn't know anything more about it.

(24) MR. FRANKEL: Other than the test.

(25) THE WITNESS: I just don't remember what

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(1) beyond the test was done. I just don't
(2) remember.

(3) BY MR. FRANKEL:

(4) Q: And do you know what the banner was, what
(5) the banner said or depicted that was used in the
(6) test of aerial advertising?

(7) A: I don't recall specifically, no.

(8) Q: This was during the period of the Joe Camel
(9) campaign; is that correct?

(10) A: Yes.

(11) MR. WILLIAMS: Is your question whether this
(12) was Joe or not flying up in the air?

(13) MR. FRANKEL: I'd like to get to that.

(14) MR. WILLIAMS: Well, get to it.

(15) BY MR. FRANKEL:

(16) Q: Let me ask you that. Was there a picture of
(17) Joe Camel on the banner?

(18) A: Possibly. I don't recall. I'm trying to
(19) remember how these banners worked and everything
(20) else. That would have probably been judged to be a
(21) tough read on a banner being pulled behind an
(22) airplane with the Camel character. I would imagine
(23) it was probably words.

(24) Q: It was -

(25) MR. WILLIAMS: Probably words.

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(1) BY MR. FRANKEL:

(2) Q: So words would be easier for people to see
(3) than pictures?

(4) MR. WILLIAMS: No. It's just easier to fly
(5) a plan with words than pictures.

(6) THE WITNESS: The banners that were being
(7) pulled - and I'm just trying to remember this -
(8) this - this was a small fish in a big sea of
(9) activity going on for Camel, in terms of what was -
(10) what we did. But specific to it - I mean, it was
(11) panel banners that flew behind a plane, and I can't
(12) recall whether we used the Joe Camel caricature or
(13) not.

(14) BY MR. FRANKEL:

(15) Q: Was the test run in a summer resort area?

(16) A: I can't remember where that test
(17) specifically was done. Sorry, I just can't.

(18) Q: Is it your experience that kids go the
(19) summer resort areas and to beaches?

(20) MR. WILLIAMS: Do kids go to beaches?

(21) BY MR. FRANKEL:

(22) Q: And summer resort areas. Is it your
(23) experience?

(24) A: It's my experience that all age groups go to
(25) summer resorts and beaches.

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(1) Q: Have you already testified as to who G. G.
(2) Strauss is?
(3) MR. WILLIAMS: Yes.
(4) THE WITNESS: Yes. I think it was
(5) referenced earlier that he came on at some point in
(6) '89 as a marketing assistant.
(7) MR. FRANKEL: We're done with that document.
(8) Thank you.
(9) MR. WILLIAMS: We're getting pretty close to
(10) six. Can you wrap up?
(11) MR. FRANKEL: At six I'll be done.
(12) MR. WILLIAMS: We're going to start at nine
(13) o'clock tomorrow. I thought it was all right with
(14) you if I got out of here. I've got to make another
(15) call. I'll stay till six if that's your demand.
(16) MR. FRANKEL: I'd like to get through as
(17) much as I can.
(18) MR. WILLIAMS: Ten more minutes.
(19) MR. FRANKEL: I'd like to have this marked
(20) as Pennell Number 11.
(21) (Pennell Deposition Exhibit number 11 was
(22) marked for identification.)
(23) BY MR. FRANKEL:
(24) Q: You've been handed Pennell Number 11, which
(25) is a February 21, 1989, memorandum from L. W. Hall,

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(1) Jr., to Mr. M. Sanders and Mr. G. C. Pennell,
(2) regarding "Volume Impact of Camel YAS Share Growth."
(3) It also bears the Bates Stamp Number 50878 4399 and
(4) is a one-page document.
(5) Mr. Pennell, my question is: Have you ever
(6) seen this document before?
(7) (Witness reviews document.)
(8) A: I'm going to assume -
(9) MR. WILLIAMS: Hold on. I want to read
(10) through this first, because this is interesting.
(11) MR. FRANKEL: Can he answer the question?
(12) MR. WILLIAMS: I've asked him to hold off
(13) until I've read the document.
(14) MR. FRANKEL: Okay.
(15) THE WITNESS: I'm going to assume the answer
(16) is yes for me on this because I see my initials up
(17) here on the top left-hand corner, where it appears
(18) that I issued this to - which was sent to me along
(19) with Rick Sanders, to who would have been, I guess,
(20) my direct reports, though I can't make out one of
(21) them's name, in terms of put the initials to a name,
(22) in response to having received this document.
(23) BY MR. FRANKEL:
(24) Q: Is the handwriting in the upper left portion
(25) of this document yours?

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(1) A: That's what I believe to be mine, yes,
(2) seeing my initials there.
(3) Q: And you recognize the handwriting?
(4) A: I believe that to be mine, yes.
(5) Q: What does "HBM" stand for?
(6) A: I believe that is Hunter MacFarlane.
(7) Q: And "MWL"?
(8) A: I can't place who that individual is.
(9) Q: And "GSS"?
(10) A: I believe that's Greg Strauss, G. G.
(11) Strauss.
(12) Q: And those are your initials, the "GCP"?
(13) A: That's correct.
(14) Q: The "MWL," is that Mark LaBrecque?
(15) A: It could be.
(16) Q: Do you know if his middle initial is W?
(17) A: I don't remember but it could be. I just
(18) can't make out MWL. I'm sorry.
(19) Q: Was Mr. LaBrecque working with you in
(20) February of 1989?
(21) A: I don't recall that.
(22) Q: Looking at the five conclusions stated in
(23) Mr. Hall's memo, do you agree with those
(24) conclusions?
(25) MR. WILLIAMS: I'm going to object here,

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(1) because those conclusions are drawn from a memo
(2) that - Exhibit, I believe, 41 or 43 to Diane
(3) Burrows' deposition. And I think it's unfair to ask
(4) him to characterize these conclusions when a more
(5) detailed explanation of all of these is set forth in
(6) another document.
(7) BY MR. FRANKEL:
(8) Q: And your answer, sir?
(9) A: Well, I mean, I can't -
(10) MR. WILLIAMS: Given -
(11) THE WITNESS: I can't summarize her
(12) conclusions as it's put here and agree with them or
(13) disagree with them without the attached analysis.
(14) MR. WILLIAMS: What I'll suggest here is
(15) let's show him Diane Burrows - because I have it
(16) with me - her memo on these five issues and ask if
(17) he agrees with that. That's fine. But to take
(18) conclusions out of context, or just present the
(19) conclusions without the basis of it is just unfair.
(20) BY MR. FRANKEL:
(21) Q: Do you agree that Camel's 1988 YAS share
(22) gains are real? That was 1988.
(23) MR. WILLIAMS: And that's the basis for my
(24) objection. That's her conclusion, and she states
(25) what she means by "real." This is just parroting

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(1) Diane Burrows' memo.

(2) BY MR. FRANKEL:

(3) Q: Your answer, sir?

(4) A: Well, as I've already stated, it is tough
(5) for me to agree or disagree with the summary of her
(6) conclusions without seeing the analysis that they
(7) referred to being attached.

(8) Q: So let me ask you it this way: Were Camel's
(9) 1988 share - no, start again.

(10) Did Camel experience share gains among
(11) younger adult smokers in 1988?

(12) A: My recollection is that we did, yes. I've
(13) already stated that.

(14) Q: Looking at Number 2 of those conclusions, do
(15) you agree with that?

(16) MR. WILLIAMS: Same objection.

(17) BY MR. FRANKEL:

(18) Q: Your answer?

(19) A: I can't agree or disagree with it on the
(20) information that I have.

(21) MR. WILLIAMS: He's not going to do that
(22) unless you give him -

(23) BY MR. FRANKEL:

(24) Q: And that will apply to all of these, is that
(25) correct you can't comment on any of them?

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(1) MR. WILLIAMS: Listen, I'll be happy to give
(2) him the Burrows memo tonight and you can ask him
(3) about that. And if you have it with you, it would
(4) be very helpful.

(5) BY MR. FRANKEL:

(6) Q: And your answer to my last question, sir?

(7) A: Yeah, I mean, I cannot respond to agreeing
(8) or disagreeing with her conclusions without seeing
(9) the analysis that's attached. And the same was the
(10) case for the first point as well. It's just you
(11) stated it of - was there share of smoker gains.

(12) But to put it in the context of are they
(13) real or not real or what have you, as is stated
(14) there I can't even do that without seeing the data.

(15) Q: In 1988, did Camel experience share of
(16) smoker gains?

(17) A: I believe they probably did, yes. In total,
(18) yes.

(19) Q: And were those smoker gains consistent with
(20) Camel's share of market gains?

(21) A: I can't answer that. I don't -

(22) MR. WILLIAMS: Let's not play games.

(23) THE WITNESS: I don't remember whether they
(24) are, and I certainly can't compare them to each
(25) other with no data to do it by. I mean, we're

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(1) talking about 1988 performance here, ten years
(2) later.

(3) MR. WILLIAMS: May I propose this? May I
(4) show him the Burrows document here and you can ask
(5) him about if he agrees with the conclusions? I will
(6) do it, if you like, to get to the - you know, to
(7) find the agreement or disagreements. Because I
(8) think it's an interesting area of inquiry.

(9) MR. FRANKEL: Well, we may get to that
(10) tomorrow.

(11) MR. WILLIAMS: I understand, because it's
(12) six o'clock now and we're going to wrap up.

(13) MR. FRANKEL: Well, I still have some
(14) questions. And if you'd let me ask the questions,
(15) then maybe we'll revisit this tomorrow and you can
(16) show it to him tonight. So let me continue with my
(17) questioning.

(18) BY MR. FRANKEL:

(19) Q: In the first paragraph of this memorandum,
(20) it states, in the last sentence: (Reading)

(21) It's my understanding you
(22) are working on a presentation
(23) to do just that.

(24) What is that presentation that Mr. Hall is
(25) referring to?

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(1) MR. WILLIAMS: Do you know?

(2) THE WITNESS: I would - I don't know. I'd
(3) be speculating.

(4) BY MR. FRANKEL:

(5) Q: The sentence before that says: (Reading)

(6) While I believe we all
(7) share a similar point of view
(8) on this, it would appear that
(9) others in a position to
(10) influence Camel's resources
(11) need to be convinced.

(12) Who are the others to whom Mr. Hall is
(13) referring?

(14) MR. WILLIAMS: Read the entire sentence
(15) before that, too, to put it in context. You're
(16) saying similar point of view on this. What are we
(17) talking about? Retail pack support?

(18) BY MR. FRANKEL:

(19) Q: Mr. Pennell, can you answer that question,
(20) my question?

(21) MR. WILLIAMS: Do you know?

(22) THE WITNESS: I - I don't know. I mean,
(23) I'm looking at one sheet of paper without the
(24) attachments, out of context. I'm sorry, I
(25) just ...

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[1] BY MR. FRANKEL:
[2] Q: The last sentence before the signature
[3] states: (Reading)
[4] Let us know if we can
[5] assist you further on this,
[6] and good luck on your internal
[7] "marketing" efforts.
[8] And the word "marketing" is put in
[9] quotations.
[10] What does that mean?
[11] MR. WILLIAMS: How does he know what that
[12] means? This is a Larry Hall memo.
[13] THE WITNESS: I don't know what that
[14] means.
[15] BY MR. FRANKEL:
[16] Q: The handwriting that you identified as yours
[17] at the upper left portion says, "The troops are
[18] arriving," with three exclamation points. What does
[19] that refer to?
[20] MR. WILLIAMS: Do you recall?
[21] THE WITNESS: I really don't know
[22] specifically. That's some effort in my mind to
[23] motivate, you know, my people relative to
[24] the essence of here, which I don't understand
[25] what it is in the context that I'm seeing it.

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[1] BY MR. FRANKEL:
[2] Q: Do you recognize the signature above the
[3] L.W. Hall, Jr., typed line there?
[4] A: The one that says "Larry".
[5] Q: Yes.
[6] A: I mean, I see it, but I don't recognize it
[7] one way or the other.
[8] MR. WILLIAMS: Come on. It's after six
[9] o'clock.
[10] MR. FRANKEL: Just let me finish with this
[11] document. I'll be done in a minute.
[12] BY MR. FRANKEL:
[13] Q: In February of 1989, was Mr. Nordine Diane
[14] Burrows' boss?
[15] A: I'm not sure.
[16] Q: Did they work in the same department?
[17] A: The best of my recollection.
[18] MR. WILLIAMS: You can continue this
[19] tomorrow.
[20] MR. FRANKEL: Yeah, we'll wrap this up for
[21] today, and we'll start again at 9:00 a.m. tomorrow.
[22] MR. WILLIAMS: Would you like me to show him
[23] that attachment to this so he could more - comment
[24] on a more informed basis on the conclusions?
[25] You have him on cross and so I will not show

[1] it to him absent your permission?
[2] MR. FRANKEL: Well, let's go off the record
[3] here for a second.
[4] MR. WILLIAMS: If I do that, I want that on
[5] the record with your permission that I show it to
[6] him.
[7] MR. FRANKEL: Yeah. We'll come back on the
[8] record. I just want to go off the record for a
[9] second.
[10] (Discussion off the record.)
[11] MR. WILLIAMS: During the break, I asked
[12] Mr. Frankel if he would like me to get a copy of the
[13] attachment to Pennell Exhibit Number 11 for
[14] identification. It was something that was marked at
[15] the Burrows deposition. I can't remember the
[16] precise number of it. And he has given me
[17] permission to share that with Mr. Pennell if we want
[18] to, to clear up these questions. I will try to get
[19] a copy faxed to my hotel room tonight. If not, I
[20] will have it faxed to the deposition -
[21] MR. FRANKEL: Actually, that's not quite
[22] what I agreed to do.
[23] MR. WILLIAMS: What did you agree?
[24] MR. FRANKEL: I said, if we can get a copy
[25] this evening, then it's okay with me, because we

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[1] will have the same opportunity to look at it.
[2] MR. WILLIAMS: Fine. Let's do this. I will
[3] have it faxed to my hotel room tonight. We're here
[4] tomorrow morning. And if you want him to go in any
[5] more detail, I will do it. But I'm not going to go
[6] through the useless task of doing it if you don't
[7] want him to look at it.
[8] MR. FRANKEL: No, that's fine. So you'll
[9] make a copy available to us tomorrow morning.
[10] MR. WILLIAMS: Of course I will. If I get
[11] it here tonight, I'll do that, too.
[12] MR. FRANKEL: Okay. We can go off the
[13] record now. We're off the record at 6:04 p.m.
[14] (Signature reserved.)
[15] (Deposition recessed at 6:04 p.m.)
[16]
[17]
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CERTIFICATION OF REPORTER

(1) DOCKET/FILE NUMBER: D09285
(2)
(3) CASE TITLE: R.J. REYNOLDS TOBACCO COMPANY
(4) HEARING DATE: June 9, 1998
(5)
(6)

(7) I HEREBY CERTIFY that the transcript contained
(8) herein is a full and accurate transcript of the notes
(9) taken by me at the hearing on the above cause before
(10) the FEDERAL TRADE COMMISSION to the best of my
(11) knowledge and belief.

(12) DATED: June 10, 1998
(13)

(14) LINDA N. RUSSELL
(15)

(16) CERTIFICATION OF PROOFREADER
(17)

(18) I HEREBY CERTIFY that I proofread the
(19) transcript for accuracy in spelling, hyphenation,
(20) punctuation, and format.
(21)
(22)

(23) CRYSTAL WENDT
(24)
(25)

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(1) CERTIFICATE OF DEPONENT
(2)

(3) I hereby certify that I have read and executed
(4) the foregoing transcript, and the same is a true and
(5) accurate record of the testimony given by me.

(6) Any additions or corrections that I feel are
(7) necessary, I will attach on a separate sheet of paper
(8) to the original transcript.
(9)

(10) I hereby certify that the individual
(11) representing himself/herself to be the above-named
(12) individual, appeared before me this
(13) _____ day of _____, 1998, and executed
(14) the above certificate in my presence.
(15)

(16) NOTARY PUBLIC IN AND FOR
(17)

(18) MY COMMISSION EXPIRES:
(19)
(20)
(21)
(22)
(23)
(24)
(25)

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(1) WITNESS: George Clifton Pennell (Volume I)
(2) DATE: June 9, 1998
(3) CASE: D09285
(4) Please note any errors and the corrections thereof on
(5) this errata sheet. The rules require a reason for
(6) any change or correction. It may be general, such as
(7) "To correct stenographic error," or "To clarify the
(8) record," or "To conform with the facts."
(9)

(10) PAGE LINE CORRECTION REASON FOR CHANGE
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Marketing Research Report

MRB #88-13114

September 21, 1988

TO: Mr. G. C. Pennell

FROM: Mr. M. R. Bolger

CAMEL "BIG IDEA" FOCUS GROUPS--ROUND II

EXHIBIT NO. 1
Wrt: G. Pennell
Date: 6/9/88
Rptr: CR

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R.J. REYNOLDS TOBACCO COMPANY, WINSTON-SALEM, N.C. 27102

028284

CAMEL "Big Idea" Focus Groups--Round II

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BACKGROUND:

In early July, a first round of focus groups was conducted to evaluate alternative "Big Idea" promotion themes among younger adult male Marlboro smokers. Out of the eight alternatives included in the study, four seemed to have a good fit with the lifestyles, interest and activities of target younger adult smokers, and had the potential to work in concert with CAMEL's new "Heroic" advertising.

In the interim period between the first round of qualitative and the subject second round, the Brand determined that the "Smooth Moves" promotion theme had more overall potential among target smokers than the other three alternatives ("Cruisin," "Get Fired Up," and "Weekend Warrior.") As a result, a decision was made to concentrate development efforts on "Smooth Moves" and use Round II as a testing ground for refinements to this theme, exclusively.

RESEARCH OBJECTIVE:

The objective of this phase of qualitative research is to evaluate the overall appeal of the refined "Smooth Moves" promotion theme among target younger adult male Marlboro smokers (18-34 with emphasis against 18-24).

METHODOLOGY:

Five focus group sessions were conducted in Denver on September 7 and 8 among male Marlboro smokers 18-34 years old. Two groups were composed of men 18-20, two age 21-24 and one age 25-34 (the purpose of the one older groups was to serve as a safety check to make sure the concept did not skew too young). The participants were economically downscale with some college or less.

Each group was exposed to existing CAMEL advertising (75th and Heroic CAMEL) prior to being exposed to "Smooth Move" materials. These materials included magazine spreads, point-of-purchase displays, pack inserts and retail premiums. All items related to the "Smooth Moves" theme in that they contained at least some reference to "tips" on how to be a "Smooth Character".

spice

CAUTIONARY NOTE:

As in the case of all qualitative research, consumer feedback provides a basis for developing and evaluating marketing hypotheses and should be considered suggestive rather than definitive.

DETAILED FINDINGS
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The "Smooth Moves" promotion theme performed extremely well among target smokers. The overall success of the theme appears to be due to its ability to address the lifestyle/wants of target younger adult smokers in a humorous/appealing way.

- The campaign effectively addressed the lifestyles/interests of younger adult smokers through the use of a French CAMEL characterization, labeling the camel as a "Smooth Character" that offers tips on how to achieve this "smooth" status. He is seen as having an amusing, trend-setting personality, suggesting that he is leading a younger-adult lifestyle. This leads to increased acceptance among target smokers, thereby enhancing the relevancy of CAMEL advertising to younger adult smokers.

By age group (i.e., 18-20 vs. 21-24 vs. 25-34), the "Smooth Moves" promotion theme was received well across all ages in the target group.

The younger portion of the target that have fewer responsibilities and are more likely to be single/into the "party" scene appeared to be able to relate best to the "tips" theme.

While not quite as enthusiastic, respondents approaching the upper age limit of the target also reacted quite favorably. In spite of their maturation, older 25-34 respondents were still very capable of relating to the lifestyle and humor portrayed by the French Camel. Specifically, if they were not still actively involved in this lifestyle, at a minimum, they have fond memories of this more active/fun period in their lives. As a result, the "Smooth Moves" promotion theme either accents or revisits this period of their lives, making the advertising relevant/fun/appealing.

- The use of "Smooth Move" tips seems to be an extremely effective vehicle for use in establishing the psychographic characteristics of the French Camel character. This, in turn, facilitates establishing CAMEL as a fun, adventurous, exciting brand of cigarettes for younger adult smokers.

The majority of the "Smooth Move" tips touch on certain situations, problems, and concerns that are common to many younger adult male target smokers. As a result, the interest level associated with many of the tips is quite high. Most respondents stated that they would not only read each tip that they were exposed to, but would collect/share them with their friends.

Importantly, the use of humor was quite effective in making the tips enjoyable to read. So enjoyable that some respondents labeled the campaign as "the best cigarette advertising they had ever seen."

- Interestingly, while respondents thoroughly enjoyed the first reading of the tips, most mentioned that they noticed a repetition of the tips in the mock-ups. Their very high interest/involvement appears to necessitate the need for an arsenal of quality tips to ensure that target smokers eager to peruse the tips do not get bored with obtaining/reading tips they have seen before.

9/21/88

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- The use of retail premiums to further support/dimensionalize the "Smooth Moves" theme seems to be a viable possibility due to the overall success of the theme. The premiums that were shown to respondents were as follows:

- "Smooth Moves" premium catalog
- "Smooth Moves" six-pack cooler
- "Smooth Moves" match box-shaped lighter
- "Smooth Moves" book of tips

- Consistent with learning from other premium research conducted in the Company, premiums performed best among the younger adult (18-24) portion of the target.

As stated earlier, the younger adult 18-24 portion of the target group appeared to have the greatest level of interest in "Smooth Move" tips because they more closely addressed their lifestyles.

This interest in "Smooth Move" tips combines with a greater going-in interest in retail premiums than older smokers which translated into very positive reactions for premiums associated with the "Smooth Moves" promotion theme -- i.e., premium catalogue, tip book, "matchbook" lighter, and six-pack cooler.

Older 25-34 respondents were more discerning in accepting the fact that premiums could be of value to them. Many of the older respondents referred to the low quality and frivolous nature of the premiums, indicating that they might be hesitant to buy the brand through a premium-induced purchase.

- In addition to the above-mentioned retail premiums, several other promotional items were shown to respondents at the end of special magazine units.

There was very little initial playback of the free T-shirt offer that appeared at the end of an 8-page magazine gatefold. This may be due to respondents being overwhelmed by pages/volume of the "Smooth Move" tips and/or the fact that many respondents already own a CAMEL T-shirt.

As expected, the B2G4F coupons that were included at the end of the 4-page spread was effective in raising the purchase interest of participants as most were pack buyers and considered it a tremendous pack value.

IMPLICATIONS:

- "Smooth Moves" is a good, sound promotional theme that communicates relevant messages to target smokers in an amusing and humorous way, qualifying it as a "Big Idea" for CAMEL. While the theme met with almost complete success in Denver, a few minor problems were brought to light.

- Care must be taken not to offend certain interest groups while attempting to use tips that are seen as humorous by target younger adult male smokers. Specifically, in light of comments brought out in Denver, the issue of sexism in certain tips should be examined.

9/21/88

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- The length of the special gatefold executions may need to be reconsidered given several comments about the mock-ups being too long. Some respondents were hesitant to commit enough time to read these 8-page units in their entirety.
- In order to assure the longevity of this theme, an effective arsenal of tips must be created. As any joke begins to grow old and tiresome after hearing it the first time, so will the "Smooth Move" tips. Accordingly, a variety of relevant tips on several different topics will have the best opportunity to maintain interest levels among target smokers.

NEXT STEPS:

- Due to the overwhelming appeal of the "Smooth Moves" promotion theme among target younger adult male smokers, no additional qualitative/quantitative research is deemed necessary prior to its implementation in-market.
- The "Smooth Moves" theme is currently being refined in light of the comments made above, leading to implementation during First Quarter, 1989.

028288

9/21/88

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EXHIBIT NO. 2
Wrt: A. Pennell
Date: 6-9-98
Rptr: LR

Marketing Research Report

MRD 13114

October 14, 1988

TO: Mr. E. C. Pennell

FROM: Mr. M. R. Bolger

"HEROIC CAMEL" ADVERTISING FOCUS GROUPS

COPIES TO:

Mr. E. J. Fackelman
Mr. J. D. Weber
Mr. J. V. Bellis
Mr. S. L. Snyder
Mr. H. B. MacFarlane
Mr. M. P. LaBrecque
Mr. B. W. Schweig
Ms. Desiree Conte
MRIC

in

HUMPHREY

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

PUBLISHED BY THE MARKETING DEVELOPMENT DEPARTMENT
R.J. REYNOLDS TOBACCO COMPANY, WINSTON-SALEM, N.C. 27102

ESTABLISHED BRANDS RESEARCH REPORT
(MRD 188-13114)

MANAGEMENT SUMMARY

The purpose of this qualitative research was to screen through alternative pool-out executions to determine if they have targeted appeal to younger adult male Marlboro smokers 18-24 years old.

BACKGROUND:

The CAMEL brand recently introduced its "Heroic CAMEL" sustaining advertising campaign that is targeted to younger adult 18-24 year old male smokers. To expand on the Heroic concept, McCann-Erickson has developed several more executions, which are the subject of this research. The October focus groups, held in Tulsa, were used as a testing ground for these executions.

CAUTIONARY NOTE:

As in the case of all qualitative research, consumer feedback provides a basis for developing and evaluating marketing hypotheses and should be considered suggestive rather than definitive.

HYPOTHESIZED FINDINGS:

- The pool-outs that performed at the highest levels were those that elevated the "Heroic CAMEL" to a "larger-than-life" status. In such pool-outs, the CAMEL was portrayed as leading a lifestyle that involves being smooth, self-confident, energetic and is willing to accept challenges and take risk while being attractive, approachable and admired by friends.

When asked to describe current "Heroic CAMEL" advertising, respondents described a lifestyle/personality for the "Heroic CAMEL," with which most were very familiar, possessing many of the characteristics described above.

When asked to compare the subject pool-outs to existing "Heroic CAMEL" executions, respondents were able to clearly determine which were successful in elevating the "Heroic CAMEL" to "larger-than-life" status and which did not.

CONCLUSION:

Based on the findings from the Tulsa focus groups, the brand will have the following five pool-outs fully illustrated to prepare them for review with executive management where approval will be requested to implement them in-market:

- "GT Racer"
- "Winter Spy"
- "Rock Star"
- "Beverly Hills"
- "Gambler"

NEXT STEPS:

- Three additional pool-outs ("Motocross," "Pool Hustler," and "Jungle Adventurer") will require additional executional refinements to more effectively present the image of the "Heroic CAMEL."

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

52189 1943

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RM045856

ESTABLISHED BRANDS RESEARCH REPORT
(MRD #88-13114)

"Heroic CAMEL" Advertising Focus Groups

BACKGROUND:

The CAMEL brand recently introduced its "Heroic CAMEL" sustaining advertising campaign that is targeted to younger adult 18-24 year old male smokers. This Heroic advertising contained three situations in which the CAMEL was placed in "larger-than-life" situations: "Fighter Pilot," "Hollywood" and "Spy." To expand on the Heroic concept, McCann Erickson developed several more executions, which were the subject of this research.

RESEARCH OBJECTIVE:

The objective of this qualitative research was to screen through alternative pool-out executions to determine if they have targeted appeal to younger adult male Marlboro smokers 18-24 years old.

METHODOLOGY:

Five focus group sessions were conducted in Tulsa on October 3 and 4 among male Marlboro smokers. Two groups were composed of men 18-20, two age 21-24, and one age 25-34 (the purpose of the older groups was to make sure the appeal of the pool-outs did not skew too young). The participants were economically downscale with some college or less.

Each group was exposed to the three existing "Heroic CAMEL" executions and was then asked to generate a list of adjectives that best described the personality/lifestyle of the CAMEL depicted in each execution. Next, the respondents were exposed to the alternative pool-outs one at a time and asked if they lived up to the list of adjectives that best described the personality/lifestyle of the CAMEL depicted in the original executions. After repeating this process for each pool-out, respondents were asked to rank their preferences.

CAUTIONARY NOTE:

As in the case of all qualitative research, consumer feedback provides a basis for developing and evaluating marketing hypotheses and should be considered suggestive rather than definitive.

Produced by Federal Trade Commission pursuant to subpoena dated June 6, 1997.

52189 1944

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RM045857

DETAILED FINDINGS:

- The task of assessing the appeal of each pool-out was accomplished by determining the degree to which respondents felt that each pool-out portrayed an image of the "Heroic CAMEL" that paralleled its image in the three existing advertising executions (i.e., "Hollywood," "Pilot" and "Spy"). Following is a summary list of adjectives developed by respondents that described the role of the CAMEL in these introductory ads:

- | | |
|-----------------|---------------|
| - Cool | - Suave |
| - Sophisticated | - Stud |
| - Ladies Man | - Classy |
| - Together | - Successful |
| - Unique | - Out-going |
| - Well-liked | - Wealthy |
| - Adventurous | - Confident |
| - Approachable | - Attractive |
| - Worldly | - Dashing |
| - Independent | - Popular |
| - Brave | - Famous |
| - Debonair | - Untouchable |
| - Self-made | - Happy |

Please note that the subject pool-outs were categorized into three groups; (1) those that had strong levels of appeal and will be advanced to production immediately; (2) those needing to be revoked and tested again; and (3) those on which efforts should be discontinued.

(1) Five pool-outs ("T Racer," "Winter Spy," "Rock Star," "Beverly Hills," and "Gambler") performed with strong levels of appeal as they were seen as portraying the CAMEL caricature as leading a lifestyle consistent with the list of adjectives associated with the original three executions.

(2) Three of the pool-outs ("Motocross," "Pool Hustler," and "Jungle Adventurer") were seen as possessing many of the necessary characteristics that made the three introductory ads so successful, but appeared to require further refinement for the following reasons:

- There was some initial confusion as to what role the CAMEL was playing in each of these situations.
- Respondents were uncertain as to whether the CAMEL was a winner or loser in the "Motocross" and "Pool Hustler" pool-outs. As a result, there was some question as to whether he was "larger-than-life" or just an "average guy" in these situations.

The type motorcycle used in the "Motocross" pool-out was a dirt-bike, which is more of a blue collar, inexpensive motorcycle relative to other types, such as sleek, high performance street racers. This downscale image is inconsistent with the upscale image of the "Heroic CAMEL." This is analogous to illustrating downscale stock-cars instead of the more upscale, expensive and glamorous GT racing cars in auto racing executions. This may help to explain why the respondents' perception of the "Motocross" CAMEL's lifestyle were inconsistent with the list of adjectives that were generated from more upscale executions.

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RM045858

DETAILED FINDINGS (Cont'd)

The CAMEL in the "Pool Hustler" pool-out was standing in a pool hall without anyone in the near vicinity and was dressed in rather downscale clothing. This led to some confusion as to whether the CAMEL was just another pool player that may be losing or a champion that was admired at a distance by others in the room.

- There was a lack of clear communication of the exact role of the CAMEL in the "Jungle Adventurer" pool-out. The presence of a headband on the CAMEL's head indicated that he was a soldier, the jungle setting suggested that he may have been an "Indiana Jones" type of adventurer and finally, the camera around his neck and the partly dressed woman in the background suggested that he may have been a Playboy photographer. These characters created radically different perceptions of the CAMEL's personality, with the Playboy photographer being the most attractive to respondents.

(3) The balance of the pool-outs ("Bartender," "Lifeguard," Baha Racer," and "Surfer") generated much lower levels of appeal/interest. Respondents indicated that the role in which the CAMEL was placed in these lower appeal pool-outs did not parallel the original introductory CAMEL's role.

- Respondents saw occupations such as a bartender and lifeguard as jobs for the "average" man, rather than for a "larger-than-life" character. The same can be said for recreational activities such as surfing and 4-wheel drive Baha racing.
- Furthermore, the situations depicted in these executions were not beyond aspirational or fantasy to respondents, and in many cases, were very attainable in a respondent's lifetime. The lifestyle portrayed were such that respondents had a chance of living them out on their own.

IMPLICATIONS:

- These focus groups clarified some of the relevant issues to consider when evaluating future pool-out executions and confirmed the effectiveness of the brand's "profile parameters" used to guide the creative process:

Portray Key Characteristics - The CAMEL caricature should quickly convey a lifestyle that is attractive to younger adult male 18-24 year old smokers, as defined through their list of adjectives, summarized above.

In Larger-Than-Life Situations - Executions should portray a lifestyle that represents our target's fantasies but which, in reality, they have very little chance of achieving themselves. As such, the target can live out their fantasies vicariously through the "Heroic CAMEL."

Quickly - There must be quick communication of the CAMEL's personality, and be done so in such a way that his personality characteristics are highly visible in every single execution.

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NEXT STEPS:

- The brand will have the following five pool-outs fully illustrated to prepare them for review with executive management where approval will be requested to implement them in-market:

- "GT Racer"
- "Winter Spy"
- "Rock Star"
- "Beverly Hills"
- "Gambler"

- Three additional pool-outs ("Motocross," "Pool Hustler," and "Jungle Adventurer") will require additional executional refinements to more effectively present the image of the "Heroic CAMEL."

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Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

52189 1947

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RM045860

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EXHIBIT NO. 3
Wit: B. Pennell
Date: 6-9-98
Rptr: LR

Marketing Research Report

August 2, 1989

FROM: S. L. Snyder

CAMEL "BIG IDEA" FOCUS GROUPS

Round 1

Copies To:

Mr. E. J. Fackelman
Mr. J. D. Weber
Mr. D. H. Murphy
Mr. H. B. MacFarlane
Mr. M. R. Bolger
Mr. G. G. Strauss

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

52189 1948

50712 5484

PUBLISHED BY THE MARKETING RESEARCH DEPARTMENT
R.J. REYNOLDS TOBACCO USA, WINSTON-SALEM, N.C. 27102

BEST IMAGE

RM046235

CAMEL "BIG IDEA" FOCUS GROUPS - ROUND I
(MRD# 89-13108)

BACKGROUND:

During 1988, "Smooth Moves" was implemented as a central promotion theme that tied directly into CAMEL's "Smooth Character" advertising. For 1990, the brand will build on the "Smooth Character" has "Smooth Moves" theme by implementing promotion programs that tie into this theme and are appealing/relevant to target younger adult male smokers.

The CAMEL brand has been working with McCann-Erickson and several outside promotion suppliers to develop alternative tie-ins for 1990.

RESEARCH OBJECTIVE:

The overall objective of this first round of qualitative research was to screen through alternative promotion programs that tie into the "Smooth Character" has "Smooth Moves" theme. Prior to the start of the research, it was hypothesized that programs with high appeal to target younger adult male smokers would meet the following criteria:

- Not be confusing or hard to understand
- Be relevant
- Not take much effort to participate
- Be easy to find/get a hold of
- Be inexpensive to participate in
- Fit with desired lifestyle characteristics currently projected by CAMEL Joe

METHODOLOGY:

Five focus group sessions were conducted in Dallas on July 26/27. The groups were among target male Marlboro smokers with two among 18-20 year olds, two among 21-24 year olds, and one among 25-34 year olds. The participants were economically downscale with some college or less.

A written description of each of the promotion tie-ins evaluated in the groups is summarized in Attachment I (programs that generated above-average appeal are listed first followed by below-average appeal programs). After each program was presented in ad form, the discussion focused on assessing the ability of each to meet the aforementioned criteria by determining respondents' level of comprehension, their likes/dislikes, the overall level of appeal, and whether or not they would participate.

CAUTIONARY NOTE:

As in the case of all qualitative research, consumer feedback provides a basis for developing and evaluating marketing hypotheses and should be considered suggestive rather than definitive.

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

52189 1949

50712 5485

RM046236

CONCLUSION/KEY FINDINGS:

o Half of the thirty-nine promotion tie-ins evaluated by target male younger adult Marlboro NM smokers generated above average levels of appeal. These high appeal promotions may be grouped into four classifications as follows:

(1) Active Participation - Three promotions were appealing because they called for respondents to attend free parties or free movies. Parties and movies are events that target smokers enjoy and would participate in, especially if they are conveniently located and free.

(2) Contests/Games - Four promotions worked well to capture respondents attention and gain their involvement by giving away appealing prizes via the use of fun contests/games.

(3) S/OFF on "Neat Stuff" - Three promotions provided respondents with an opportunity to save money on their next purchase of music, sporting goods or even a Nissan Hard Body Truck. All of these items were considered relevant as they frequently buy music and often need sporting goods. Admittedly, most were not in the market for a new truck but thought highly of CAMEL's ability to provide a tangible rebate with a major auto manufacturer.

(4) Unique/Creative methods to deliver product/premiums - The remaining ten promotions with above average appeal fall into this category because their appeal primarily relied on the use of unique/creative methods to capture the readers' attention and get them involved. For example, three promotion ads used a "sound chip" that was activated when opening the spread to help capture their attention and get them involved. A creative approach to the use of pop-ups and slide-action gimmicks were also effectively used in six ads as they helped bring CAMEL Joe's situations "to life", thereby capturing the readers' attention and getting them involved.

o Importantly, all high appeal promotions had one thing in common (that most low appeal promotions lacked) - they fit/helped dimensionalize CAMEL Joe's personality as currently projected by the brand's "Heroic" advertising.

NEXT STEPS:

Learning from these groups will be shared with respective agencies to refine promotion tie-ins with above average appeal. This will be followed by additional screening and/or subsequent recommendation to management for in-market use.

Produced to Federal Trade Commission pursuant to subpoena

dated June 6, 1990

52189 1950

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RM046237

DETAILED FINDINGS:

• Out of the thirty-nine promotion tie-ins shoved to target male younger adult Marlboro NH smokers, twenty generated above average levels of appeal. To help summarize findings, the twenty promotions have been grouped into four classifications as follows with explanations for their above average appeal noted in the next finding:

(1) Active Participation

- Tubin' Party
- Rock & Bowl Party
- Smooth Movies

(2) Contest/Games

- Nissan Z Scratch-Off
- Ultimate Car Contest
- Blackjack
- Hysterics of the pack

(3) \$/Off on "Neat Stuff"

- Smooth Crusin' (\$1000 rebate on Nissan truck)
- Reel in Coolest Catch (\$5 off on sporting goods purchase)
- Know the Score (\$2 off on music purchase)

(4) Unique/Creative methods to deliver product/premiums

- Smooth Talking
- Construction Worker
- Racing
- Wrestling
- Concert
- Grab/Feel
- Billiard Shot
- Dare To Do It
- Gang Drops In Video
- We Goofed

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CAMPER

Three promotion programs that require the active participation of respondents performed well because they used events that target smokers enjoy doing.

The creative used to depict the "Tubin' Party" and the "Rock & Bowl Party" also made it clear that it would be a lot of fun for younger adults (such as themselves) to participate. The events would be local/easy to get to and be inexpensive as CAMEL is sponsoring the events free to qualified smokers. The party atmosphere was supported by music videos at the "Rock & Bowl" and a live rock band at the "Tubin' Party". A lot of respondents said the parties looked like a great way to meet girls.

The "Smooth Movies" promotion had high appeal because it offered smokers the opportunity too see good/hit movies free (even though it required 5 empty packs of CAMEL, they were so caught up in the idea that they considered the movie free). Target respondents did state that it was important that the movies be good and, preferably, not something that they could rent at a video store for \$2 (or less). Ideally, the movie should be a recent release or a premiere showing of a top-rated film.

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

52189 1951

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RM046238

DETAILED FINDINGS: (Cont'd)

- Prior quantitative promotion research has shown contests/games often generate above average levels of appeal among younger adult smokers who consider them "fun". Primarily for this reason, two contests and two games performed well in these groups.

- The "Nissan Z" is a very sought-after car among target smokers. The use of the scratch-off key made it easy for them to participate in the contest and many said they would fill out the attached free pack coupon and redeem it to get a second chance at winning the car.

- The "Ultimate Car Contest" was very unique in its approach but required more work on the part of respondents to participate which held back its overall appeal (relative to the Nissan Z car scratch-off). Still, quite a few said they would participate and liked the clues provided on the enclosed contest card that helped match up the car's parts to the appropriate make/year.

- The "Blackjack" game was also fun as it employed a scratch-off technique for readers to determine if they had a winning hand. With a winning hand, they could call a toll free number to get a free CAMEL t-shirt which was a desirable premium item.

- Lastly, many had heard of the many "mysteries" in CAMEL's pack and thought it would be fun to look for them using the clues/hints provided in the ad.

- Three promotions performed well as they provided target smokers with \$/Off on Neat Stuff such as a \$1000 rebate on the purchase of a Nissan Hard Body Truck, \$5 off on the purchase of sporting goods at K-Mart, and \$2 off on a music purchase at Sound Warehouse.

Of these three, the most appealing promotion was the \$2 savings on a music purchase because virtually all of the respondents said they bought music quite often. Being able to redeem the coupon at Sound Warehouse also enhanced its usefulness as this is where they currently buy most of their music. They stated that if the coupon was good somewhere else, they would be less likely to use it as it would either be a higher priced store or be in a harder-to-reach location.

\$5 off on sporting goods was also appealing, although some mentioned that they would not be caught dead in a K-Mart store. Nonetheless, most liked the idea of getting a tangible amount off on the purchase of sporting items that many use/enjoy.

While a \$1000 rebate off on a Nissan Truck has a staggering sound to it, most said they would not be interested because they are not in the market to buy a truck. Also, most respondents did not understand that they had to buy three specially marked packs of CAMEL hard pack in order to get the rebate (it appeared that the ad's focus on depicting the truck and talking about the \$1000 rebate took the reader's attention away from how to find/get it). Nonetheless, in the end this promotion still performed well because respondents thought well of a cigarette brand that could pull off a large rebate with a major company such as Nissan.

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

52189 1952

50712 5488

RM046239

DETAILED FINDINGS: (Cont'd)

- Half of the high appeal promotion tie-ins (i.e., ten of the twenty) relied heavily on the use of unique/creative methods to deliver the CAMEL product/premium. Judgementally, without their unique/creative approach, many of the following promotions would only be average in their ability to capture target smokers attention and elicit involvement/participation.

"Smooth Talking" was liked because it employed a sexy girl's voice to answer the toll free line and take their order for a free t-shirt. They also liked the way she recognized where they were calling from (based on their zip code entry) which helped make her more real/personal.

Three ads ("Construction Worker", "Racing", and "Wrestling") employed sound chips that are still considered very unique and fun by target smokers. Respondents enjoyed opening these ads because the sound chip helps bring the ad to life, making it fun/entertaining. While most agreed that the sounds recorded for the chips did not do the ads justice, the "concept" of the sound chip was very well received.

Six ads in this category relied on the use of pop-ups or unique slide-action gimmicks to get readers attention and involvement in the promotion ad.

"Concert" used a slide-action gimmick to change the classical music conductor into a rock band leader (who also turned out to be CAMEL Joe).

"Grab/Feel" was able to get reader involvement by asking them to insert their fingers into grab holes cut into the ad -- this unique approach was fun.

Billiard Shot employed a slide-action gimmick to make CAMEL Joe's trick shot go into the pockets before their eyes.

"Dare To Do It" employed two colorful pop-ups to help project the fun/daring enjoyed by CAMEL Joe when tubin' down a rapid stream. Since many respondents enjoy participating in this watersport, the pop-ups made the ad more exciting/fun to read and the use of a unique "waterproof stash pack" directly tied into their interest/hobby.

"Gang Drops In" had a party atmosphere in it that was liked as well as a unique slide-action technique that enabled the TV to show what was on the "smooth moves video" being given away as a free premium.

"We Goofed" was liked because of the humor associated with making a (funny) mistake when printing a million t-shirts. The use of a flap to show the mistake also enhanced the communication and appeal of the ad.

Lastly, it is important to note that all twenty high appeal ads had something in common -- they all fit with and help to further dimensionalize many of the positive personality characteristics projected by CAMEL Joe as represented in the brand's current "Heroic" advertising.

- The lack of this ability was the primary reason why half of the promotions evaluated in these groups fell into the below-average pile.

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

52189 1953

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RM046240

ATTACHMENT I

Summary Description of Promotion Tie-In's

Above Average

"Va Gassed" - This four page ad admits that a mistake was made when printing up a million t-shirts. The mistake was on the front of the t-shirt that showed a cow (instead of a CAMEL) on the cigarette pack with the line "I wish I was a Smooth Character". The back side of the t-shirt showed the correct CAMEL pack with the line "Smooth Character" below it. The last page of the ad gives readers a 1-800 number to call to get a free t-shirt to help CAMEL in liquidating a "warehouse full of mistakes".

Know the Score - This four page ad starts out with the line "A smooth character knows the score." Inside the spread, CAMEL Joe pops-up playing a piano with a headline stating that you can "Score Big with \$2 off any music purchase at Sound Warehouse". And, while additional copy states that no purchase is necessary, it goes on to say that a purchase of a CAMEL pack "would be a nice gesture". (The \$2 Sound Warehouse coupon was attached to the last page of the ad.)

Mysteries of the Pack - This four page ad starts out with the line "Only smooth characters know where to look". Inside the spread, CAMEL Joe pops-up playing a detective role to find items contained in the graphics of the CAMEL pack (such as the outline of a man). To help readers get started, hints are provided for each item and a coupon for a free pack of CAMEL's is affixed to the back page.

Gang Drops in Video - This four page ad starts out stating that "Smooth Characters know what to do when the gang drops in". Inside the spread, CAMEL Joe is shown popping some popcorn, opening some packs of CAMEL and popping in a "Smooth Moves" video to entertain his drop-in guests. The video contains a preview of this summer's 10 best movies (or the 10 best rock videos of the year as determined by Rolling Stone magazine). The back page of the ad provides readers with a 1-800 number to call to get their free "smooth moves" video as well as a coupon good for a free pack of CAMEL.

Nissan Z Car Scratch Off - This four page ad starts out with the line "The odds may be ten million to one, but a smooth character goes for it!" Inside the spread, CAMEL Joe is shown popping up as the driver of a Nissan Z car that is being offered as a prize with two chances to win. The first chance is through a scratch off key on the ad and, if the reader does not win there, he/she gets another chance at a second Z car by filling out information requested on a coupon that can be redeemed to get a free pack of CAMEL.

Blackjack - This four page ad asked readers if they are "ready for a smooth deal." Inside the spread, CAMEL Joe is shown seated in a tuxedo at a blackjack table where he's asking readers to participate in the game by scratching off a card. Since the reader's hand already has 20 points exposed and the house holds twenty, the reader must scratch off an ace to win (its worth one point). If an ace is scratched off, the reader wins a free t-shirt that he/she can get by calling a 1-800 number. The t-shirt has a picture of CAMEL Joe's head on the front of an ace of spades.

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

52189 1954

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RM046241

ATTACHMENT I (Cont'd)

Above Average

• Billiard Shot - This four page ad used a unique green felt material on the front with a picture of an eight ball. Inside it shows CAMEL Joe in a tuxedo making a difficult trick shot with copy that tells readers "Without smooth moves you're not on the stick". The back of the ad offers readers to "pocket a free pack" of CAMELs via a free pack coupon.

• Dare To Do It - This four page ad has a CAMEL raft on the front poised to go down a steep waterfall with the line "Dare to do it!" Inside the spread CAMEL Joe is sitting in the raft smooth tubin' after his successful ride down the waterfall. The back page of the ad offers readers a free waterproof stash pack by calling a 1-800 number.

• Grab Bag - This gate-fold unit gives readers a unique opportunity to open it by slipping their fingers through some holes that "grab" onto an outline of the pack on the front cover and then grab onto another "smoove move" on the inside -- revealing CAMEL Joe offering a free pack coupon!

• Concert - This four page ad starts out with four younger adult men and a conductor (this back is turned to the reader) playing classical music. Inside the spread, the conductor turns out to be CAMEL Joe who is now the lead guitarist of a rock and roll band (whose members are the same four classical musicians on the front cover). A free crew club hat is offered on the back to readers who call a 1-800 number.

• Ultimate Car Contest - This four page ad shows several guys standing in front of a bunch of parts from different car makes/models with a puzzled expression on their faces. CAMEL Joe is behind them and has the answer to their problem. Inside the ad, it shows that all of the parts have been put together to build a car formed by the different parts -- that's the "smooth move". On the back of the ad, readers are asked to correctly identify as many parts as they can on a contest form to win a share of a million dollars. It also gives readers a BIGIF coupon.

• Smooth Crusin' - Inside this eight page unit is a poster of CAMEL Joe driving a Nissan hard body pick-up truck over a draw bridge that is in the process of raising up. The very back page of the unit offers smokers an opportunity to make a smooth move of their own by getting a \$1,000 rebate on a Nissan hard body truck available from CAMEL through the purchase of specially marked CAMEL hard packs.

• Smooth Talkin' - This four page ad offers readers an opportunity to call Joe to order a free t-shirt that has his picture on it with the line "CAMEL. Make a smooth move". For the purpose of these groups, a telephone line was set-up in the room for the moderator to call to demonstrate how it would work. After dialing the 1-800 number, a girl by the name of Candy answered (over the speaker phone) and stated in a sexy voice that "Joe isn't here, but asked me to get information from callers wanting a free t-shirt." Within a week after the phone call, a post card is sent to the caller from CAMEL Joe telling them that he's having a great time in Maui and will send them the t-shirt as soon as he get's back home.

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

52189 1955

50712 5491

RM046242

ATTACHMENT I (Cont'd)

Above Average

- "Reel in Coolest Catch" - This four page ad started out asking readers if they "Want to reel in the coolest catch?" Inside the ad, CAMEL Joe pops-up holding a big fish with copy next to him telling readers that they can "land a \$5.00 savings at K-Mart sporting goods" by using the enclosed \$5.00 coupon. The back page of the ad also offers smokers a free pack of CAMEL.
- Racing (with sound chip) - This four page ad has a close-up picture of CAMEL Joe in a race car on the front and, when turning to the inside spread, shows him on the track using a mobile phone in the race car. A sound chip is activated when opening the spread where he's telling his girlfriend that he's "tied up in traffic and running a bit late." The last page of the ad offers smokers a BIGIF coupon.
- Wrestling (with sound chip) - This four page ad has a picture of CAMEL Joe in a ring where he is going to wrestle a tough contender. Inside, the spread shows him making a smooth move as he holds back the contender with one hand while smoking a cigarette with the other. A sound chip is activated when opening the spread with familiar sounds of a wrestling match (crowd cheering and a bell ringing). Last page of ad offers readers a free wrestling team tank top via a 1-800 number.
- Construction Worker (with sound chip) - This four page ad shows CAMEL Joe as a construction worker that is getting his lunch dropped off by a beautiful girl friend. When opening the ad to this scene a sound chip is activated with sounds of other construction crew members whistling at CAMEL Joe's girlfriend. The back page of the ad offers a BIGIF coupon.
- Smooth Movies - This spread shows CAMEL Joe and other younger adult smokers cashing in five empty CAMEL pack wrappers for a free movie theatre ticket. The movies are sponsored by CAMEL at local theatres and will feature "Smooth Stars" such as Clint Eastwood, Chuck Norris, Charles Bronson, etc.
- Tubin' Party - This page ad/poster shows CAMEL Joe at a Tubin' party sponsored by CAMEL. The party includes a free live band, volleyball and soft drinks. All people have to do is rent a tube or bring their own. The party is held at local lakes or rivers.
- Rock and Bowl - This page ad/poster shows CAMEL Joe at a bowling party sponsored by CAMEL. The party includes door prizes, free bowling, and rock music featuring the latest rock videos. The bowling starts at 9 p.m. Saturday at a local bowling alley, and the party lasts through the night.

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

52189 1956

50712 5492

RM046243

ATTACHMENT I (Cont'd)

Below Average

• Smooth Racin' - This spread has a special plastic full page insert that contains a liquid maze outlining a race boat course. The object of the game is for the reader to push CAMEL Joe's race boat through the liquid maze to the finish line in as few "smooth moves" as possible.

• They have tried...but only one was chosen - While other animal names had been considered (such as giraffe, elephant, shark and rhinoceros) only one was chosen - CAMEL, the only one with smooth character and smooth moves. Free pack coupon was attached to the last page of this four page ad with pop-up of CAMEL pack inside.

• "We Want Your Vote" - This four page ad asked readers to call in on a 1-900 number to vote for their favorite Smooth Character girl (either Kathy, Chris, Donna or Sue from the brand's "Heroic" CAMEL ads). For calling in, they receive a personal "thank you" from the girl herself and a free Miss Smooth Character swimsuit calendar.

• "Everybody Wants to Get into the Act" - Four page ad with pop-up offered readers an opportunity to call a 1-900 number to order a free poster of a CAMEL pack that used a cow with tied on hump that had the slogan "I wish I was a smooth character". A free pack coupon was also attached to the last page.

• Taxi Cab - This four page ad showed CAMEL Joe driving his personal car in downtown traffic. The inside of the ad shows two pretty girls who needed a taxi but all available taxis on the street were filled (or off duty) until CAMEL Joe makes a Smooth Move by placing a taxi sign on the top of his car to pick up the girls. A free taxi cap was offered via a 1-800 number on the last page of the ad.

• Scuba Car Wash - This four page ad showed CAMEL Joe driving a motorcycle into a automatic car wash and coming out the other end with scuba gear on and a speared fish (that's a smooth move)! A free scuba cap was offered via a 1-800 number on the last page.

• Traffic Jam - This four page ad showed CAMEL Joe tied up in a bad four lane traffic jam. His smooth move was to pull out a guitar and start "jammin" on the back of his pick-up truck (where two speakers were mounted). People in other/surrounding cars got out to watch him play and join the party. A free jammin club t-shirt was offered on the back page via a 1-800 number.

• Dance Party - This four page ad with pop-up showed CAMEL Joe walking into a boring party with a date. But with his arrival, the party livened up and everyone started dancing with "Smooth movin" CAMEL Joe and his date at the center of the dance floor. Last page offered a BIGIF coupon.

• Mechanics School - This four page ads shows CAMEL Joe in a white tuxedo pulled over on the side of the road with car trouble. His smooth move is to put a sign on the car that reads "Free Mechanics School" that attracts other guys to stop and fix it for him. A free Mechanics school t-shirt is offered on the last page via a 1-800 number.

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

52189 1957

50712 5493

RM046244

ATTACHMENT I (Cont'd)

Below Average

• **Hawaii Billboard** - This four page ad shows CAMEL Joe leading a group of motorcycle riders down a road. He stops at a billboard showing a picture of Hawaii and climbs into it along with his friends where they commence to have a beach party. A free beach patrol t-shirt is offered on the last page via a 1-800 number.

• **Seafood Platter** - This four page ad shows CAMEL Joe fishing in a pond with a string tied to his big toe instead of using a rod and reel like the other fishermen in the background. Upon opening the ad, his smooth move is revealed where a pop-up shows him pulling up a prepared seafood platter (broiled fish, fries and cole slaw) with amazed expressions drawn on the faces of the other fishermen. The back page offered a free fishing team t-shirt via a 1-800 number.

• **Smooth Huntin'** - This page spread offers readers an opportunity to call a 1-900 Huntin'-1 hotline to play a "duck blasters" game over the phone. The hotline also offers up-to-the minute weather forecasts for their area as well as duck huntin' tips. Lastly, placed into the middle of the spread was an order form for huntin' gear from the "CAMEL Smooth Huntin' Collection".

• **Smooth Reelin'** - This one page sweepstakes ad offered readers an opportunity to enter by correctly matching up four "scratch and sniff" scents with four descriptions of a card. First prize is a log cabin near a trout stream in the woods.

• **Bumper Poker** - This spread shows CAMEL Joe driving down a crowded major highway with a CAMEL Bumper Poker sticker on his back bumper. Ad copy tells readers that they can play the game by calling a 1-800 number to get their own poker bumper sticker that is used with other stickers to form poker hands. The better the hand the better the prize.

• **Smooth Pumpin'** - This page ad shows CAMEL Joe having gas pumped into his car by a pretty girl. Ad copy tells readers that they can get coupons good for 50¢ off on a \$5 purchase or \$1 off on a \$10 purchase of gasoline at participating stations (Mobile, Exxon, Shell or Texaco). Coupons are inside packs of CAMEL cigarettes.

• **Smooth Beachin'** - This spread ad has a picture of CAMEL Joe on the beach wearing a nice pair of neon rubber sunglasses. Readers are told they can get a pair free by taking the enclosed pair of paper CAMEL shades to Spring Break and trade them in for the neon rubber sunglasses at the CAMEL tent (unless spotted by the CAMEL Beach Patrol first).

• **World Records** - This spread shows CAMEL Joe stacking packs of CAMEL cigarettes on top of one another in an attempt to set a world record for the tallest stack of packs ever set (by hand). Copy in the ad goes on to tell readers that they can win \$10,000 cash by setting world records in this and several other categories. The categories and rules are listed on specially marked packs of CAMEL.

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

52189 1958

50712 S494

RM046245

ATTACHMENT I (Cont'd)

Below Average

• "Fact or Fiction" - This spread asks readers if they think four items listed are fact or fiction. The answer to each is provided at the bottom of the magazine ad (or, if it's a pack insert, in a rub-off area).

• "Smooth Pullin'" - This page ad shows CAMEL Joe pulling a Pyramid behind his beefed up truck. Ad copy talks about an upcoming Truck-Pull event sponsored by CAMEL. Customers can get two admission tickets for the price of one (\$20 savings) if they show up at the gate wearing a CAMEL Smooth Pullin' cap that is available at stores where you buy CAMEL.

PROPERTY OF R
produced by R
in
HUMPHREY

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

52189 1959

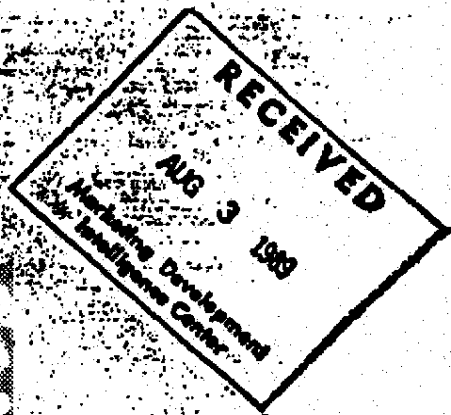
50712 5495

RM046246

PROPERTY OF RTRC
produced by RTRC

in

HUMPHREY



Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

52189 1960

50712 5496

RM046247

Wit: A. Pennell

Date: 11-9-98

Rate 1.00

SWH TEL mps EYE

F

81253402

This is a copy of the official
new ~~and~~ policy. Avis will
be setting up a meeting
next week with you and
your managers to discuss
national
and next
step. In the
meantime, please feel
free to discuss this.

Winston-Salem, NC 27102
819-741-2202

Emel

1. J. Beasley
 J. W. Best
 L. Birkin
 E. M. Blackmer
 P. J. Cundari

E. M. McAtee
G. C. Pennell
M. R. Savoca
R. M. Sanders
S. R. Strawsburg

Advertising Practice

4. We define adults as those being 18 years of age or older and continue to support industry efforts to enact and enforce laws prohibiting the sale of cigarettes to persons under 18 years of age as well as a wide variety of other programs intended to discourage underage smoking.

But we have been very candid in our statements to the effect that we advertise certain of our brands to smokers 13 years of age and older. This is entirely consistent with our view (and the law of Massachusetts) that 18-year-olds are adults for purposes of the purchase of cigarettes.

The Cigarette Advertising and Promotion Code, as it has evolved over time, contains a number of provisions which are age-specific. For example, models must be and appear to be 25 or older; women not advertise in publications directed primarily to those under 21; and our direct mail and sampling activities are restricted to smokers 21 or older. These provisions in our voluntary Code have been the source of some confusion outside the Company because they have been misinterpreted to prohibit any marketing activities directed to persons under 21.

None of our competitors in their public statements admit that they advertise or promote their products under 21. The fact that our public statements on this issue differ from our competitors' and, on the surface might appear inconsistent with elements of the Cigarette Advertising and Promotion Code, has not gone unnoticed by our adversaries. In fact, a similar issue was raised recently by an apparently well-intentioned shareholder at our annual meeting.

"We work for smokers."

CX-295

BEST IMAGE

92VR01240

May 28, 1992

Page 2

Under these circumstances, Jim Johnston, Dave Iauco, Ernie Fackelman and I have concluded that it would be in our long-term best interests to join the ranks of our competitors and limit our advertising and marketing efforts to smokers 21 years of age and older. We don't believe for a minute that this will silence our adversaries in their attempts to misrepresent our motives or the effect of our advertising. We do feel that it will blunt this point of attack and provide us with a three-year "cushion" that can be used in response to claims that we're after the underage market.

Since all of our direct marketing, sampling and most of our promotional activities are already limited to 21 and above, what this means, as a practical matter, is the following:

1. All brand positioning statements that currently reflect audiences below the age of 21 should be revised to reflect audiences which are 21 or older.

2. All of our advertising agencies that are currently working on brands/styles with audiences below 21, should be promptly advised that the audience has been revised to 21 or above and that any work-in-progress should, to the extent necessary, be revised to reflect this repositioning.

3. Marketing Research conducted with the purpose of developing our marketing elements (product, packaging, promotion, advertising) or enhancing the appeal of these elements will be conducted only among smokers 21 and above.

4. Research conducted to understand and track the cigarette category and the performance of our brands and those of our competitors can continue to be conducted among all adult (18+) smokers.

5. Our internal advertising review panel should be advised of this policy immediately and instructed to factor it into its work.

6. While our policy already prohibits our advertising in publications directed primarily to those under 21, I would suggest that we also take this opportunity to review our media list.

Please ensure that all our marketing materials/activities conform with this policy as soon as possible.

James C. Schroer

cc: W. Johnston
J. Fackelman
D. Iauco

51362-5347

52189 1962

BEST IMAGE

92M01241

produced by RJRTC
in
HUMPHREY

7/89

CAMEL BRAND REVIEW

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50724 5140

52189 1963

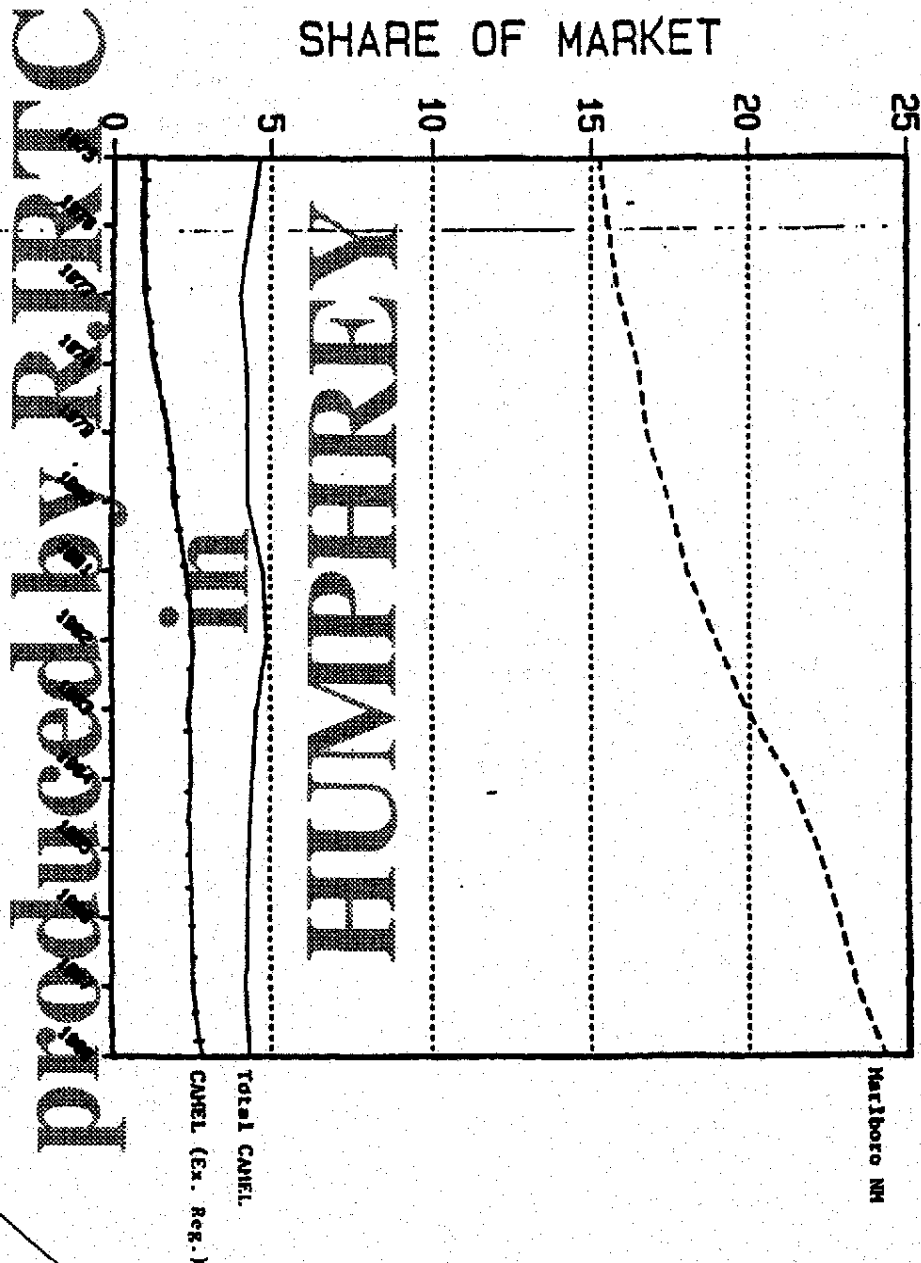
CX-302

RJW 023499

EXHIBIT NO. 5
Wit: B. Pennell
Date: 6-9-98
Rptr: LR

I. BACKGROUND

TAMMENDONC

A. LONG-TERM TREND

produced by R. J. REYNOLDS

RJW 023500

MSK

Volume

MW0002233

CONFIDENTIAL

B. RECENT PERFORMANCE

1. VOLUME

	ACTUAL '88	PLAN '89	% DIFF.
FULL FLAVOR	7,850	7,524	-4%
LIGHTS	8,265	7,892	-5%
EX. REG.	16,115	15,416	-4%
REGULAR	8,082	7,302	-10%
TOTAL CAMEL	24,198	22,718	-6%

F

produced by RJRT C

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 CAMEL BRAND REVIEW IN THE COURT'S ORDER

CONFIDENTIAL

I. BACKGROUND

B. RECENT PERFORMANCE

2. SHARE OF MARKET

	ACTUAL '88	YTD '89	PLAN '89
FULL FLAVOR	1.5	1.5	-
LIGHTS	<u>1.6</u>	<u>1.6</u>	-
EX. REGULAR	3.1	3.1	3.2
REGULAR			-
TOTAL CAMEL	4.4	4.3	4.4

in HAMPREY

produced by RJRTC

to make work done
 for the
 company
 SOS

THIS DOCUMENT IS UNCLASSIFIED
DATE 07-11-2007 BY 60322 UCBAW

UNCLASSIFIED

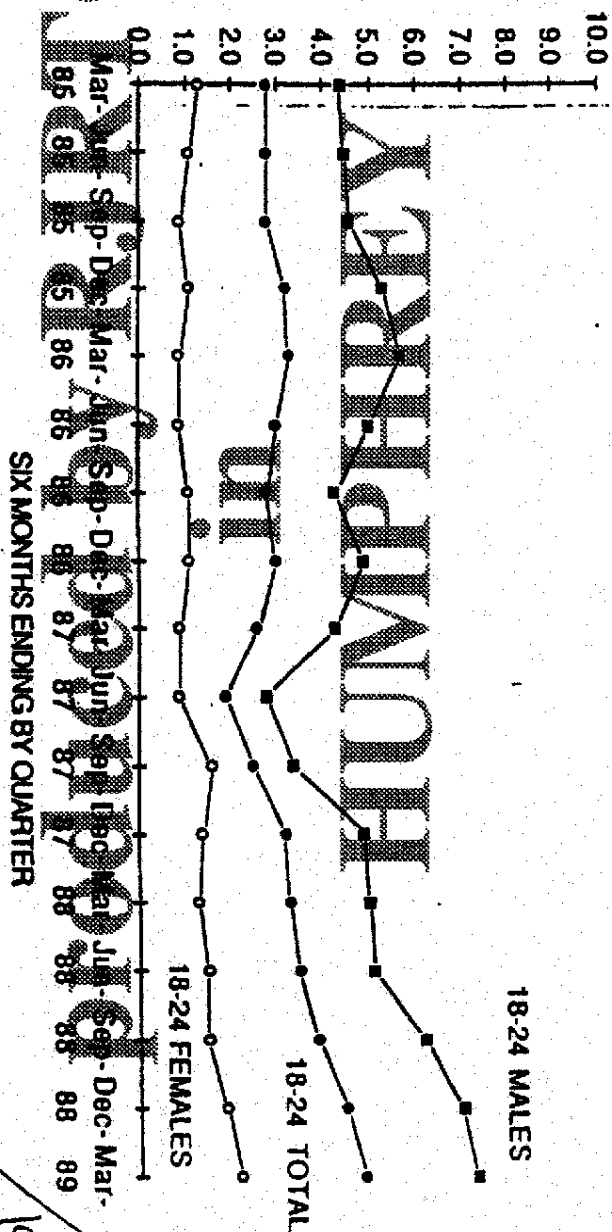
I. BACKGROUND

B. RECENT PERFORMANCE

3. SHARE OF SMOKER

SIGNIFICANT GROWTH TREND AMONG YOUNGER ADULT SMOKERS, BOTH MALE AND FEMALE.

CAMEL EX REGULAR SOS



SIX MONTHS ENDING BY QUARTER

RJW 023503

CAMEL BRAND REVIEW
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TALNECANOC

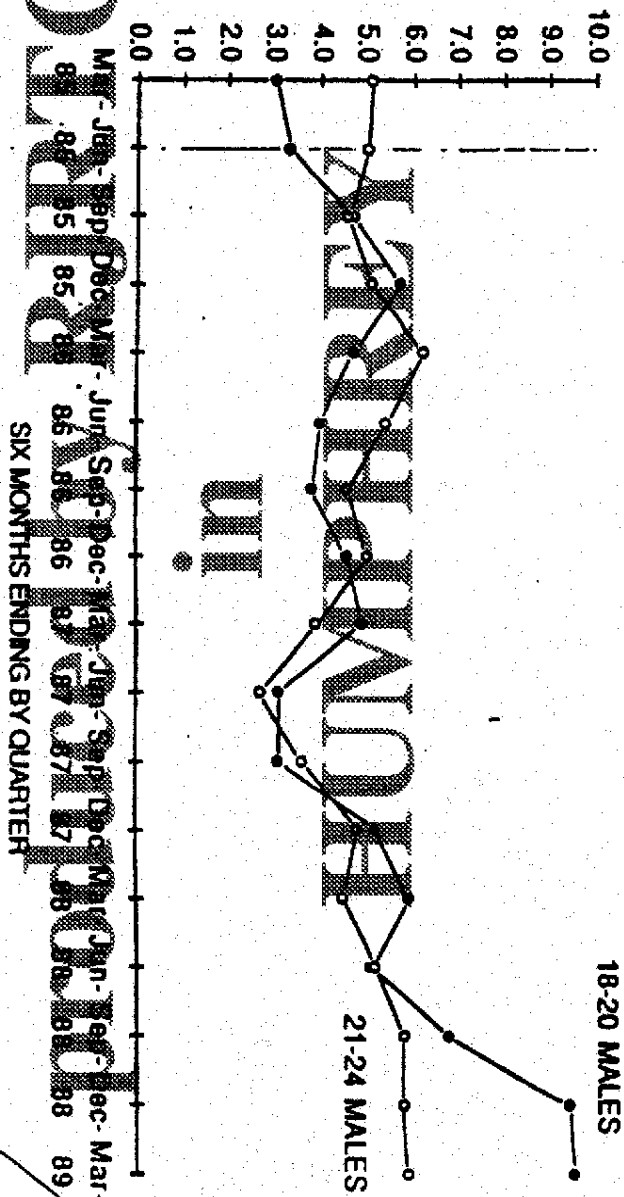
I. BACKGROUND

B. RECENT PERFORMANCE

3. SHARE OF SMOKER

YOUNGER ADULT SMOKER GROWTH DRIVEN BY 18-20 MALES.

CAMEL EX REGULAR SOS



Source of
 Bus.

Same Phenom.
 w/ female
 TUBYPS
 strategy is
 working

RJW 023504

C. SOURCE OF BUSINESS

YOUNGER ADULT SMOKERS ARE AN INTEGRAL PART OF CAMEL'S BUSINESS BASE.

	FRANCHISE		COMPETITIVE		TOTAL	
	$\frac{1}{2}$ VOL.	$\frac{1}{2}$ BUYERS	$\frac{1}{2}$ VOL.	$\frac{1}{2}$ BUYERS	$\frac{1}{2}$ VOL.	$\frac{1}{2}$ BUYERS
18-24	15	12	6	15	21	27
25-34	17	12	5	13	22	25
18-34	32	24	11	28	43	52

of franchise is 17 at
HUMPHREY

of franchise is 17 at
produced by RJRTC

*How that interest
 in Camel is
 also important*

MW002238

~~CAMEL BRAND CIGARETTES~~ THIS DOCUMENT AND ITS CONTENTS ARE SUBJECT TO A COURT ORDER AND SHALL NOT BE USED IN THE COURT'S ORDER

I. BACKGROUND

CONFIDENTIAL

RJW 023506

D. PROMOTION INTERACTION

RETAIL, DIRECT MARKETING, AND CONTINUITY OFFERS ARE CRUCIAL IN REACHING TARGET SMOKERS, ESPECIALLY RETAIL.

<u>CAMEL PROMOTION INTERACTION*</u>			
	<u>%</u>	<u>%</u>	<u>%</u>
<u>PURCHASES</u>	<u>BUYERS</u>	<u>VOLUME</u>	
18-24 MALES (UB)	68	88	58
18-24 MALES (COMP.)	82	78	82
TOTAL 18-24 MALES	75	81	73

* % OF PROMOTED ACTIVITY

HUMPHREY

in

Driver

home

retail

Produced by RJRTC

1989

per

1-2-85

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UNCLASSIFIED

II. KEY FACTORS

- OLDER FRANCHISE IS DRIVING DECLINES
 - OUTLITING/MODERATION/PRICE
- NEGATIVE CONSUMER PERCEPTIONS INHIBIT NEW BUSINESS
 - IMAGE PERCEPTIONS OF OLD, OUTDATED, DOWNSCALE
 - PRODUCT PERCEPTIONS OF HOT, HARSH, TOO STRONG, NON-FILTERED
- RECENT POSITIVE PERFORMANCE DRIVEN BY FOCUSED STRATEGY
 - YOUNGER ADULT SMOKER EMPHASIS

IMAGE/PRODUCT ENHANCEMENTS
TRIAL/CONTINUITY

BROAD GEOGRAPHIC PRESENCE

- REDUCED WORKPLAN ACTIVITY SLOWED GROWTH RATE

CRITIC BY RRTC

look to future

past

1990

mklt

summary

pkc

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III. 1990 MARKETING PLAN SUMMARY

CONFIDENTIAL

A. BRAND ROLE

OFFENSIVE GROWTH BRAND

- GROWTH AMONG YOUNGER ADULT SMOKERS
- LONGER-TERM SHARE OF MARKET GROWTH

produced by RJRTC

in

HUMPHREY

Objectives

• Consumption
 & last = 3 need

• Same as
 trend as
 market as
 necessary

RJW 023508

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 NOT THATS SHALL AND SHALL

III. 1990 MARKETING PLAN SUMMARY

TAJNECENOC

B. OBJECTIVES

- PRIMARY

YAS SHARE OF SMOKER (CAMEL EX. REGULAR)

	YTD	
	1989	1990
18-20 MALES/FEMALES	5.4	7.4
18-20 MALES	7.7	10.2

DIFF.

+2.0

+2.5

this is
the diff.
this will
get it

HUMPHREY
 in
 produced by RJR TC

Females important
 but not smoking
 Marlboro

Addressing
 # but
 necessary

Other

CONFIDENTIAL

B. OBJECTIVES

NIELSEN SOM

<u>CURRENT</u>	<u>1989</u>	<u>1990*</u>
<u>OBJECTIVE</u>		
<u>OBJECTIVE</u>		

TOTAL CAMEL

4.3

4.4

4.1

CAMEL. EX. REGULAR

3.1

32

31

*** ASSUMES FET**

ADVERTISING

produced by **RJRT**

Still drive
older
a
Refer

7/1 = 7
w/o

10

1. Production

MW00224

THIS DOCUMENT AND ITS CONTENTS ARE SUBJECT TO A COURT ORDER IN **CAMEL BRAND REVIEW** CASE NO. 77-23. THE COURT ORDERED THAT THE CONTENTS OF THIS DOCUMENT BE KEPT OUT OF THE PUBLIC DOMAIN AND NOT BE USED FOR ANY PURPOSE OTHER THAN THAT FOR WHICH IT WAS SUBMITTED.

III. 1990 MARKETING PLAN SUMMARY

TM/ND/EN/OC

C. KEY STRATEGIES

SINGLE-MINDED FOCUS AGAINST YOUNGER ADULT SMOKERS 18-24, WITH EMPHASIS AGAINST MALES 18-20.

● STRONG NATIONAL PRESENCE

Demo. not geo.

● CONTINUE TO IMPROVE PERCEPTIONS

- IMAGE ENHANCEMENT CONCENTRATION

● 77/23; A TO P RATIO

new 80%

● EFFECTIVE CREATIVE

● INTEGRATED PROMOTIONAL THEME

- BIG BRAND PRESENCE

● INCREASED SHARE OF VOICE

● UNIQUE/INNOVATIVE OPPORTUNITIES

REVENUE

● AGGRESSIVELY IMPACT CONSUMER BEHAVIOR

(purchase patterns)

- STRONG RETAIL PRESENCE

- TARGETED TRIAL OPPORTUNITIES

- CONTINUITY/INVOLVEMENT

- IMPROVED PRODUCTS/PACKAGING

MATERIAL REDACTED

Camel brand

*April 1990
Oct. 1990*

*- Finish - diff. from Marlboro
- switching*

Media Strategy

RJW 023511

D. MEDIA STRATEGY

- STRONG OOH PRESENCE NATIONALLY
 - BROAD EXPOSURE WITH YAS HEAVY-UP
 - SPECTACULAR UNITS/INCREASED PANAGRAPHS
- INCREASED PRINT NATIONALLY
 - TARGETED BOOKS (MASS/SPECIALTY)
 - SPECIALIZED UNITS
- MEDIA-DELIVERED PROMOTIONS
 - UNIQUE/INNOVATIVE OPPORTUNITIES

*great impressions
delivered
creative work in OOH*

*- big brand
- high impact
- current promo*

**Produced by RTRC
in
HUNH**

*- Additional
- 30 mail*

Promotion Strategy

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III. 1990 MARKETING PLAN SUMMARY

TVADNEDNOC

E. PROMOTION STRATEGY

- IMAGE ENHANCEMENT UTILIZATION
 - CONSISTENT WITH BRAND PERSONALITY
 - BIG BRAND PRESENCE
 - RELEVANT/APPEALING PREMIUMS
- AGGRESSIVELY IMPACT CONSUMER BEHAVIOR

- KEY PROMOTION CHANNELS

- RETAIL
- DIRECT MARKETING
- TARGETED TRIAL OPPORTUNITIES
- CONTINUITY/INVOLVEMENT

ADVERTISING

produced by RJR TC

RJW 023513

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III. 1990 MARKETING PLAN SUMMARY

VALUED IN CO.

G. SPENDING

<u>1989</u>	<u>1990</u>	<u>DIFF.</u>
(\$MM)	(\$MM)	(%)
136.8	198.5	31

RATIONALE

ACCELERATE GROWTH AMONG YAS

- NATIONAL SCOPE/BIG BRAND PRESENCE
- INCREASED RETAIL SUPPORT

EXHIBIT

iii

NOTE: INCLUDES BRAND CONTROLLED, PACK ACTION AND DIRECT MARKETING ONLY.

produced by RJRTC

more than the
 this is how much
 but how
 spend

dot
 print

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COPIED FROM
TALANDANO

III. 1990 MARKETING PLAN SUMMARY

G. SPENDING

	<u>1989</u> (\$MM)	<u>1990</u> (\$MM)	<u>DIFF.</u> (%)
MEDIA	39.3	53.0	26
PRODUCTION	7.0	9.0	22
FEE	<u>4.0</u>	<u>5.4</u>	<u>26</u>
TOTAL ADVERTISING	50.3	67.4	25
BRAND PROMOTION	52.8	85.6	38
PACK ACTION	24.8	34.0	27
DIRECT MARKETING	<u>8.6</u>	<u>11.0*</u>	<u>22</u>
TOTAL PROMOTION	86.2	130.6	34
OTHER MARKETING	<u>4.3</u>	<u>.5</u>	<u>40</u>
TOTAL	136.8	198.5	31

* = YAS ONLY

produced by RJRTG
A/P 16/74
7/20/90

Summary

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CAMEL BRAND REVIEW

CONFIDENTIAL

IV. SUMMARY

- PROVEN ABILITY TO GROW AMONG KEY YAS GROUP
- YAS GROWTH CAN BE ACCELERATED BY:
 - PROVIDING NATIONAL SUPPORT
 - DEMONSTRATING A "BIG BRAND" LOOK/FEEL
 - LEVERAGING OUR UNIQUE BRAND PERSONALITY
 - PROVIDING SUBSTANTIAL RESOURCE SUPPORT, ESPECIALLY RETAIL

HUMPHREY

in

produced by RJRTC

RJW 023516

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~~CAMEL BRAND REVIEW~~

III. 1990 MARKETING PLAN SUMMARY

CONFIDENTIAL

F. KEY CHANGES/NEW PROGRAMS

- STRONG/CONTINUOUS NATIONAL PRESENCE
- INCREASED RETAIL SUPPORT
- AGGRESSIVE BIG BRAND PRESENCE

MATERIAL REEVALUATION

HUMPHREY

in

produced by RJRTC

Pending

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MEDIA SPENDING

CONFIDENTIAL

	<u>1989</u>	<u>1990</u>	<u>DIFF.</u>
OOH	27.3	36.5	25
PRINT	11.1	15.4	28
OTHER	<u>.9</u>	<u>1.1</u>	<u>18</u>
SUB TOTAL	39.3	53.0	26
PRODUCTION	7.0	9.0	22
FEE	<u>4.0</u>	<u>5.4</u>	<u>26</u>
TOTAL	50.3	67.4	25

50.3 67.4
HUMPHREY

in

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RJW 023519

BACKUP

CAMEL BRAND REVIEW
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PROMOTION SPENDING

CONFIDENTIAL

	<u>1989</u> \$MM	<u>1990</u> \$MM	<u>DIFF.</u> %
POS	1.9	5.2	63
RETAIL PROMOTION	21.4	62.4	66
MEDIA DELIVERED	27.1	13.0	(108)
FIELD MARKETING	1.4	4.0	65
OTHER	<u>1.0</u>	<u>1.0</u>	-
BRAND CONTROLLED	52.8	85.6	38
PACK ACTION	24.8	34.0	27
DIRECT MARKETING	<u>8.6*</u>	<u>11.0*</u>	<u>22</u>
TOTAL	85.2	130.6	34

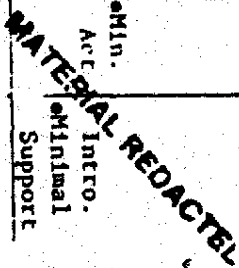
* YAS ONLY.

in
 produced by RJRTC

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CONFIDENTIAL

CAMEL EX REGULAR SOS AMONG 18-20 MALES

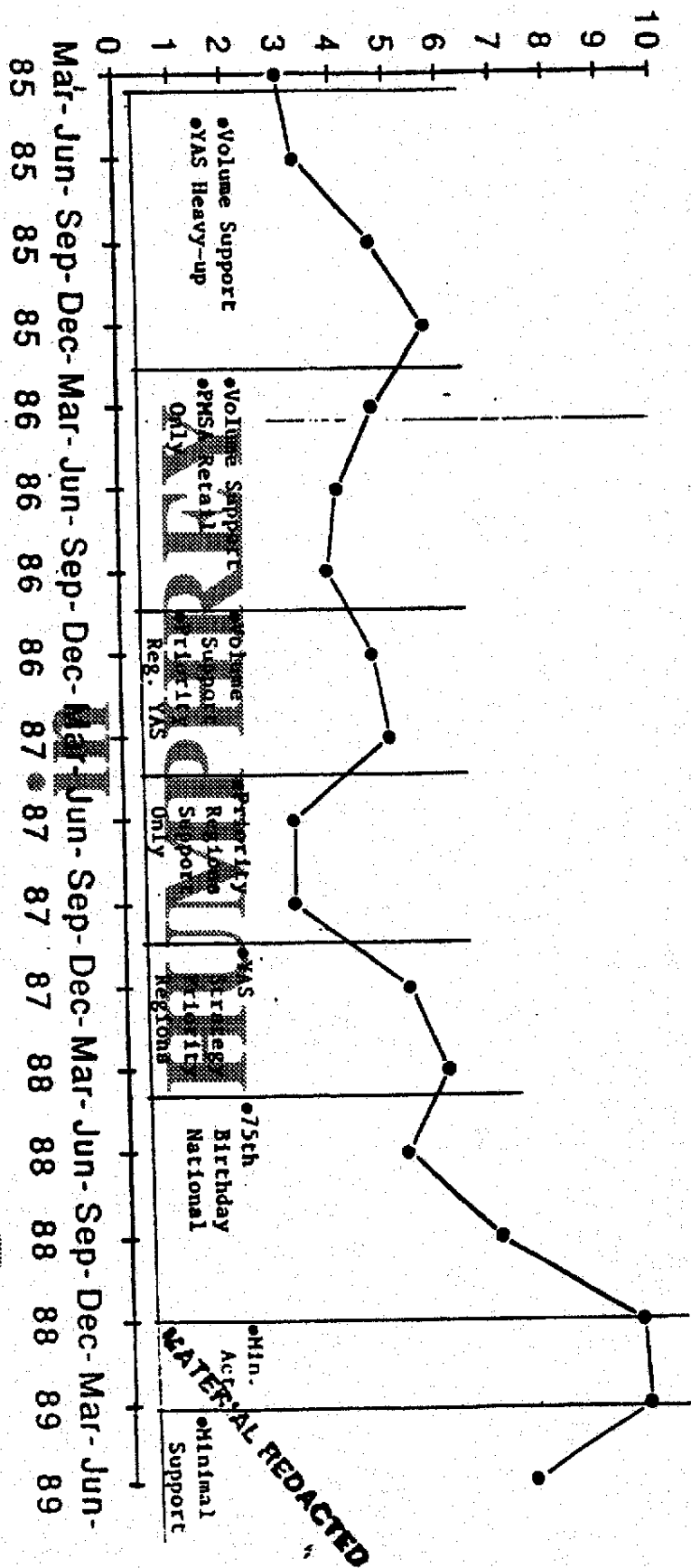


proceedings
SIX MONTHS ENDING 30 JUNE 1970
BRITC

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CAMEL EX REGULAR SOS AMONG 18-20 MALES



RJW 023522

SIX MONTHS ENDING BY QUARTER

CTC by peanpord

produced by RIRAC

I. The CAMEL Target Smoker:

- Is 18-24 years old, primarily male 18-20.
- Is single.
- Smokes Marlboro non-menthol.
- Has lower income than national average.
- Is less educated (high school, no college).
- Has blue collar background.
- If employed, holds an hourly wage job.
- Is subject to making his decisions largely on peer pressure influence and established trends.
- Material-oriented, but at a lower aspirational level.
- Has five key needs:
 - Belonging (peer)
 - Being different (versus establishment)
 - Self-improvement (realistic and marginal)
 - Excitement
 - Sex
- Doesn't take life too seriously, lives day-to-day, but does have aspirations to get ahead, but not of a great magnitude.
- Recognizes that more and more of his friends smoke CAMEL, and most of his friends that smoke Marlboro now choose CAMEL as their "back-up brand." He does himself.
- Always saw CAMEL as a brand that older people smoked and was too strong and harsh for him until recently when CAMEL started their new advertising and promotion programs. He likes our ads because they aren't serious and they are entertaining. He likes our retail programs and other "deals." He doesn't get any of that from Marlboro.
- Buys by the pack on an almost daily basis given that he smokes less than a pack a day and rarely has enough cash on hand to buy more than a few packs.
- Buys at convenience or gas outlets where he gets his gas, food, snacks, etc.

EXHIBIT NO. 6
Wt: G. Pennell
Date: 6-9-98
Rptr: LR

CX-247

RJR47765B

MW004154

52189 1987

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- Is not concerned with the price of a pack to the point that he would buy a cheap or generic brand. He might buy a pack of lower cost brands such as MAGNA when he is really hard-up for cash, but that's rare. Image is too important to him, as are his perceptions of quality based on price.
- Has specific lifestyle interests that are important to him:
 - Music
 - Parties
 - Women
 - Cars/motorcycles
 - Hunting/fishing

II. Key Strategies

(These will be the primary strategies I will emphasize in CAME's portion of the break-out room.)

- Single-minded focus against YAS
 - Strong national coverage
 - Expanded and consistent retail presence/consumer mission
 - Strengthened Field Marketing
 - Target interest Direct Marketing approach
- Enhanced impact/relevance of communication
 - Evolve creative
 - Generate "new news"
 - Target market approach
 - Leverage Special Event sponsorships
- Establish product point-of-difference
 - Project FC

52189 1988

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HJR477659

MW

BRIEFING DOCUMENT
FOR
YOUNGER ADULT WORKSHOP

For many businesses, younger adults are an enormously important consumer group. Despite the decline in the size of the 18-24 year old group, they remain very important because of the potential long-term reward they represent to marketers who can win their loyalty.

But younger adults are tough consumers to understand, reach and attract. With the rapid change that occurs during this age span and some of the unique, complicated desires and concerns attendant to the changes -- this group is truly a moving target.

Listed below are some topics and questions to help get our minds rolling on what makes younger adults tick.

1. Each of the topics listed below plays a role in the lifestyle of 18-24 year old younger adults.

Think about what kind of role each topic plays, how is it displayed/manipulated. What does it suggest about the motivations, mindsets, lifestyles of this group?

-- *Appearance (as)*
 -- Shopping patterns, habits

-- Leisure time activities -- including just getting together, hanging out, relaxing around

-- Sports interests

-- Importance of music

-- Reading and TV habits

-- Importance of cars

-- The importance of clothes; how they dress

-- Movies

-- The appeal of convenience stores (versus supermarkets) to this group

-- The changing roles of men and women

-- What other lifestyle elements provide insight?

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 produced by RJRTC

CX-246

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2. WHY and in WHAT WAY is each of the following an important issue to 18-24 year olds?

- Belonging, fitting in
- Sociability
- A sense of powerlessness
- Individuality
- Freedom, independence
- Upward striving, achievement, success, prestige

• *Search for Confidence (Becoming an "adult")*

3. Does this group tend to be oriented toward BIG BRANDS -- and, if so, WHY?

4. What are some of the likely, major SUBSETS of groups within the 18-24 year old spectrum.

For example, is male/female really a key division? Is college versus non-college a meaningful division? What other significantly differentiating subsets come to mind?

How do the subsets differ from each other?

5. Think about the incredibly important and numerous life changes that can occur during the age span of 18-24.

- Going straight from high school to the first full-time job.
- Starting a new life in college--oftentimes away from home.
- Moving to a new locale
- Getting married
- Starting a family

And also, consider the pressures attendant to the transition, e.g.:

- Concern about the future
- Adjustments in deciding and establishing "who I am."

REC'D 11-17-90

50876 2808

52189 1990

BEST IMAGE

MW005904

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produced by R.JRTC

- Desire to not be the fool -- in a totally new environment.
- Wanting -- but not really knowing "what."
- The need to be different, to be an individual coupled with the need to belong
- How to deal with a broader range of people
- How to deal with members of the opposite sex
- Other pressures and concerns

These years can readily be described as "The Trauma of Transition." New motivations emerge to add to (maybe even conflict with) some of the old ones. Lifestyles change, often practically overnight -- and so do the symbols of the lifestyles.

What comes to mind with regard to what motivations become high priority; what lifestyle behavior is adopted to address the motivations that minds develop during this period.

Take a few minutes. Relax and let your mind go. Think back to when you were 16 -- 19 -- 24. Think about yourself, your friends, others who were different from your group.

Talk to some people you know in this age group.

We are interested in your insights, your intuition, your observations, whether or not you have facts to back them up.

Remember -- get your ideas down on the cards so you'll be sure to remember them at the Workshop!

REC'D MTC 11-10-91

50478 2409

52189 1991

BEST IMAGE

MW005905

RJR **CONFIDENTIAL**

May 17, 1989

EXHIBIT NO.	8
Wrt.	G. Pennell
Date:	6-9-98
Rptr:	LR

To: Mr. G. C. Pennell

From: Mr. S. L. Snyder

Subject: Effect of YAS Growth on Camel's SOM Performance

Issue: Analyses have shown that before RJR Tobacco can renew its share of market growth, it must generate and sustain solid share of smoker growth among younger adult smokers. Goals established in a recent presentation by the Strategic Marketing Group call for total RJR Tobacco to achieve a 40% share of younger adult smokers by 1995 with Camel Ex Regular representing one-half of the total company's share. For Camel Ex Regular to achieve a 20% share of younger adult smokers by 1995, it must grow 2 share points per year (see attachment one).

Share Impact: 18-24 year old smokers represent 12% of total industry volume as they represent 14% of total 18+ smokers but smoke 15% fewer sticks/day. As a result, a full share point increase among this group translates to a .12% increase in Nielsen share assuming that all other factors remain constant such as:

- No loss in franchise loyalty or buying rate.
- No loss in SOS among other age groups.
- No loss in competitive usage/volume.

If Camel Ex Regular is able to grow its share of 18-24 smokers by 2 share points a year through 1995, the brand's Nielsen share will increase at a rate calculated on attachment two (assuming, again, that all other factors remain constant). Note that the brand's annual Nielsen share increase builds from a +.27 ('89 vs. '88) to a +.39 ('95 vs. '94). This acceleration in share occurs because Camel Ex Regular's YAS "age" into the balance of the brand's franchise (that also smoke more cigarettes per day). This acceleration in SOM is similar to what Newport experienced when it was repositioned against younger adult smokers as shown on attachment three.

015574

Recent SOS Performance: During 1988, Camel Ex Regular's SOS increased significantly among target smokers 18-24 years old. As shown on attachment four, most of the SOS growth occurred during the second half of the year commensurate with "75th Birthday" and "Heroic Camel" marketing programs. Attachment five shows that:

- This strong second half share growth among 18-24 year old smokers resulted in a 1.5 share point SOS increase for total year 1988 versus 1987.**
- The brand's strong growth among target younger adult smokers represents about one-half of Camel Ex Regular's total 18+ SOS increase of +.3% during 1988. The balance of the increase among total 18+ adults is accounted for by growth among older males.

**It is hypothesized that Camel Ex Regular may have achieved its objective of a full 2 share point SOS increase among 18-24 smokers had the new marketing programs been in place for the entire year.

1988 Nielsen Share Performance: As stated earlier, a significant SOS increase should result in a proportional SOM increase providing that all other factors remain constant. In the case of Camel Ex Regular's 1988 SOS increase of +.3% among total 18+ smokers, a proportional Nielsen share increase of +.3% was anticipated. Unfortunately, this direct relationship did not occur as Camel Ex Regular's Nielsen share grew only .15% during 1988, or one-half of the total anticipated amount. While an analysis of all in-house diary, Nielsen and MSA data failed to turn up a reasonable explanation for the difference between Camel Ex Regular's 1988 SOS and SOM performance, the analysis did verify that the SOM increase is real/significant (see attachment six) and is mostly attributable to increases in the brand's SOS among YAS. Similar to the Newport example, it may take a few years before Camel Ex Regular's SOM catches up with the strong SOS increases observed for the brand.

015575

52189 1993

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The Future: The above analysis verifies that SOS growth among YAS will lead to SOM growth assuming that all other factors remain constant. If Camel is able to achieve its YAS SOS objective of 2 share point growth per year, this would increase the brand's Nielsen share from 2.78% in 1988 to 5.07% in 1995. Based on the assumption that the brand's 1988 YAS SOS increase of 1.5% could have been two share points had the new marketing programs been in place for the entire year, it would appear that an annual 2 share point YAS SOS objective (with resultant SOM growth) is not unreasonable.

Client, I will continue to closely monitor Camel Ex Regular's in-market performance among YAS and will advise you of any change in the brand's performance among this group or on their resultant contributions to Nielsen retail share.

Steve

Steven L. Snyder

cc: Mr. D. H. Murphy
Mr. H. B. McFarlane
Mr. R. D. Jordane
MRIC

015576

52189 1994

50686 7913

September 27, 1988

TO: Mr. G. C. Pennell
FROM: M. P. LaBrecque
RE: CAMEL June Toll-free T-shirt Offer, the Final Results

EXHIBIT NO.	9
Wit:	B. Pennell
Date:	6-9-98
Rptr:	LR

This memo is to provide you with final order results from the CAMEL t-shirt offer.

Background

CAMEL offered a free 75th Birthday logo t-shirt via a media-delivered toll-free number in the following six targeted male magazines (June cover dates).

<u>Title</u>	<u>Circulation (M)</u>
Playboy	3,672M
Field and Stream	2,009M
Rolling Stone	1,071M
Hot Rod	849M
Inside Sport	444M
Cycle World	300M
	<u>8,345M</u>

The t-shirt offer was part of a 4-page, 3-D Pop-up unit. The toll-free number ran from 4/22/88 until 8/31/88.

T-shirt Order Analysis

- 75% Redemption on t-shirt offer
- 2,008M t-shirts were ordered by 8/31/88
- 33% Competitive Smokers
 - 54% Marlboro smokers
 - 46% various competitive brands
- 65% RJR Smokers
 - 75% CAMEL brand
 - 25% Other RJR Brands
- 60% Male Respondents/40% Female Respondents
- Age Breakout:
 - 61% 21-34 year olds
 - 29% 35-49 year olds
 - 10% 49+ year olds
- Breakout by Sales Area is as follows: NASA 23%, MWSA 21%, PMSA 18%, NCSA 17%, NCSA 11%, SASA 10%.
- 50% of orders were placed in the first 5 weeks:
 - 4/25 - 5/26/88
 - See Attached Graph
 - Orders stabilized at 45M/wk. by 11th week

008743

Mr. G. C. Pennell
Page 2
September 27, 1988

- Size breakout of shirt orders is as follows:

XL	38%
L	40%
M	19%
S	3%

- Fulfillment of shirt orders complete by 10/24/88

Fulfillment delayed due to:

- Overwhelming Response to Offer - Previous redemption of t-shirt offer was 11% vs. 24% for current offer

T-shirt Production Problems - Supplier problems printing logo on dark blue shirts; difficulty obtaining large quantities of dark blue shirts

Fulfillment House Problems - Fulfillment house unable to deliver shirts to consumers in timely manner due to personnel problems, work overload, SALEM t-shirt offer, understaffing.

Considerations

- Offer was appealing to younger adult males, both target and franchise across the country.
- Turnkey operation would improve performance of program - having one supplier in charge of entire program would improve timeliness, communication and lines of responsibility
- T-shirt offer should be available for 3 weeks to 11 weeks only. By the 11th week, it appears that toll-free newsletters/clubs might be calling in, not the target smokers
- T-shirt offer should state "while supplies last" vs. "offer expires 8/31/88." This would allow more flexibility/reduced liability for program.
- Only two sizes (L, XL only) of t-shirt should be offered. 78% of the shirts were large/extra large; offering two sizes would improve program delivery without making the offer less attractive.

The SALEM t-shirt program was extremely popular with consumers. This offer was appealing to younger adult male smokers and effectively reached target smokers.

008744

50688 3925

52189 1996

If you need additional information, please let me know.

Mark Labrecq

MEL:sb

Attachment

cc: H. B. Macfarlane
M. W. Long

produced by RJR

MAXCAN/SYNAR DOCUMENT REQUEST

in

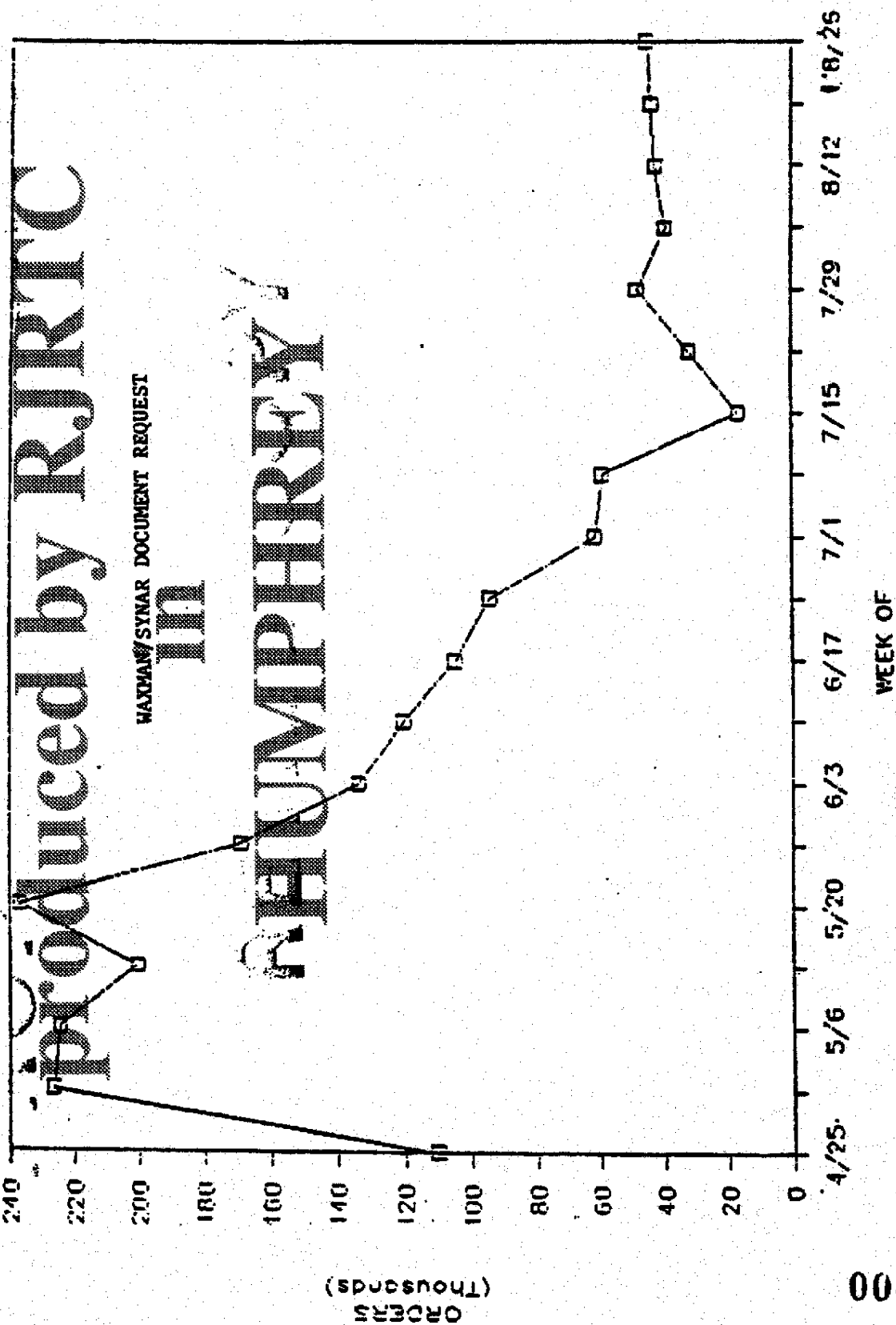
TRIUMPH

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PRODUCED TO FTC PURSUANT TO C.I.D. ISSUED 8/1/90

CAMEL TOLL FREE

T-SHIRT OFFER



50688 3927

52189 1998

008746

February 28, 1989

EXHIBIT NO. 16
 WIT: B. Pennell
 Date: 4-9-98
 Rptr: LR

TO: Mr. G. C. Pennell

FROM: G. G. Strauss

RE: Aerial Advertising for CAMEL Field Marketing

After having met with Sue Green, this forwards my recommendation on the merit of aerial advertising at CAMEL field marketing events. Specifically, aerial advertising would be an ideal addition to the potential rollout of the Summer Resort program.

Flexibility

From art/mechanical, the Aerial Sign Company can produce 20' x 69' banners made of a hand-painted, durable, nylon material in only five days. In addition to this fast production turnaround time, the company has the added flexibility of only needing two hours notice to cover any outdoor event.

Cost

The production cost of each banner is about \$2,922. The cost of flying the banner (including insurance) is \$297.50 per hour and is essentially considered a media space cost. Hypothetically, if CAMEL were to run a 14-day program (similar to Spring Break) and fly one of these high visibility banners for six hours a day (e.g., 10:30 a.m. - 4:30 p.m.), the total cost would only be:

Production	\$ 2,922
Flying Time	
14 days x 6 hrs/day x \$297.50/hr.	24,990
Total	\$27,912

Compared to the cost of a potential \$1MM program, or even to the cost of our \$409 Spring Break program, the total cost is minuscule for generating such high visibility with what essentially amounts to a flying billboard.

Aerial Sign Company

If we decide to go ahead with aerial advertising, I would recommend that we work with the Aerial Sign Company. Cliff, although the information you had on aerial advertising was from the National Aerial Advertising Company, R. J. Reynolds already has a very good working relationship with the Aerial Sign Company, having created banners and flown for

the SALEM Pro-Sail, and the CAMEL. Additionally, I have spoken directly with the Executive VP of the company, Art Herman, who expressed great enthusiasm in working with us.

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BEST IMAGE

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Mr. G. C. Pennell
Page 2
February 28, 1989

Conclusion

In conclusion, Cliff, I see great merit in and strongly recommend our use of aerial advertising at appropriate CAMEL field marketing events. For example, if we have a Summer Resort program, our target by day will be a captive audience lying on the beaches bound to see a creative 20' x 69' CAMEL aerial banner fly by numerous times exuding the excitement and vitality of the brand and informing them of the SMOOTH MOVES entertainment by night. In other words, not only would aerial advertising be a great image-building tool, but it could also be used to greatly enhance the in-club program with a call to action (e.g., "See the SMOOTH MOVES perform at ...").

Wish List

Cliff, with your permission, I would like to investigate the possibility of having the Aerial Sign Company customize a banner for us and of having the Agency strip in the current SGW on an existing 20' x 69' bulletin or 30-sheet art/mechanical of the Hollywood or Spy Execution. If the Agency would be able to accomplish this by Monday, March 6, we could even have aerial advertising for Spring Break! Although there would be no SMOOTH MOVES tie-in, the banner would still work synergistically with CAMEL's strong presence there to create added excitement and awareness of the Brand.

Cliff, please let me meet with you at your earliest convenience. Thank you.


Greg Strauss

SES:eb

cc: Mr. H. B. Macfarlane
Ms. S. L. Green

52189 2000

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WAXMAN/SENAR DOCUMENT REQUEST

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MATERIAL
REDACTED

52189 2001

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013718

XC: HBM
Mwl
Gals
The troops are
arriving!!!
Gep

February 21, 1989

To: Mr. R. M. Sanders
Mr. G. C. Pennell

From: L. W. Hall, Jr.

Re: Volume Impact of CAMEL YAS Share Growth

Over the last several weeks, we have had several discussions related to CAMEL's apparent growth momentum among younger adult smokers, the volume impact of this growth, and the importance of retail pack support for the brand. While I believe we all share a similar point of view on this, it would appear that others in a position to influence CAMEL's resources need to be convinced. It's my understanding you are working on a presentation to do just that.

I think you will find the attached analysis by Diane Burrows helpful in your efforts. To summarize her conclusions:

1. CAMEL's 1988 YAS share gains are real.
2. CAMEL's share of smoker gains are consistent with its share of market gains.
3. Longer-term benefits from CAMEL's YAS strength can be demonstrated from sales data.
4. Retail pack support is critical to sustaining CAMEL's YAS share gains.
5. Depending on the level/nature of support, volume and market share gains resulting from YAS share growth should be demonstrated in 1989 and beyond.

Let us know if we can assist you further on this, and good luck on your internal "marketing" efforts.

Larry
L. W. Hall, Jr.

LWH:gj

Attachment

cc: Mr. R. C. Nordine, Ms. D. S. Burrows (memo only)

RH0007415

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

52189 2002

50878 4399